

FINANCIAL TIMES



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In defence of diversification
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Key to gaining a competitive edge
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World Business Newspaper <http://www.FT.com>

THURSDAY MARCH 20 1997

Volvo chooses ex-top executive to chair board

Swedish car and truck maker Volvo named Hakan Frisker, group managing director in the 1980s, to chair its board. He replaces Bert-Olof Svanholm, who died this week. The appointment of Mr Frisker coincides with other changes in Volvo's senior management. Chief executive Soren Gyll is to step aside in favour of Leif Johansson, who heads Swedish appliance supplier Electrolux. Page 19

Clinton to name Tanset as CIA nominee
US president Bill Clinton decided to nominate George Tanset, acting head of the CIA, to serve as director of the US spy agency, senior administration officials said.

US to charge for use of airspace
The US is to follow world practice by charging foreign aircraft for flying through its airspace, the Federal Aviation Administration said. It expects to raise \$80m a year from the fees. Page 7

WTO report attacks banana regimes
The European Union will need to modify its banana import regime, which favours small Caribbean producer countries, if an interim World Trade Organisation report, which backs US and Latin American growers, is adopted. Page 7

Surinam faces 'pyramid' collapse
Pyramid schemes in Surinam, which have attracted tens of millions of dollars from investors, many of them in the Netherlands, are bound to collapse, the South American country's central bank said. Page 18

Jardine Matheson promised equality
Hong Kong-based conglomerate Jardine Matheson will be given equal treatment with companies in mainland China after the territory reverts to China in July, according to a senior Chinese official. Page 19; Hong Kong Land jumps to US\$49m, Page 24

Fashion designer plans to float
Gianni Versace, Italian fashion designer whose clients include Elton John, Sting and Madonna, plans to stage a stock market flotation of his company this spring. Page 19

N-plant staff played golf during fire
Senior officials at a Japanese nuclear plant where fires and an explosion occurred last month in the country's worst nuclear plant accident, were criticised for playing golf during and after the accident. Page 4

PMQ may drop mercenaries plan
Papua New Guinea's prime minister, Sir Julius Chan, said his government may drop controversial plans to use mercenaries against secessionist rebels on Bougainville Island. Page 4

Museveni sacks PM
King Hussein of Jordan sacked prime minister Abdul Karim al-Kabarti following disagreement over domestic issues and policies towards Israel. Page 5

Solidarity supporters clash with police
About 100 supporters of the Solidarity trade union clashed with police as they were evicted from the treasury ministry in Warsaw which they had occupied in protest at the closure of the Gdansk shipyards. Page 2

China presses oil claims
China moved an oil exploration vessel near the Vietnamese coast in a provocative gesture which underlines Beijing's determination to exploit potentially oil and gas-rich deposits in disputed waters. Page 4

Martial law imposed in Mandalay
Burma's military government imposed martial law and a night-time curfew in Mandalay following attacks on Moslems by Buddhist monks. Page 4

TB epidemic eases
The World Health Organisation said its strategy for treating tuberculosis was causing a worldwide TB epidemic to level off for the first time in decades. Page 5

Burgers have a future in Chicago
The Chicago Mercantile Exchange plans to seek a following among those who want to hedge risk in the hamburger business by offering investors future contracts in ground beef. Page 18; Commodities, Page 23

Czechs in Norwegian gas deal
The Czech Republic agreed a long-term contract to import gas from Norway, ending the country's dependence on supplies from Russia, despite intense pressure from Moscow to extend its ties with Gazprom. Page 7

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STOCK MARKET INDICES	
New York: Dow Jones Ind. Av. 8,550.45 (+46.07)	
NASDAQ Composite 1,248.01 (+23.33)	
Europe and Far East:	
FTSE 100 3,332.2 (+24.74)	
Nikkei 225 19,463.71 (+45.51)	
US LUNCHTIME RATES	
Federal Funds 5.5%	
3-Mth Treas. Bill 5.25%	
Long Term 5.5%	
Yield 5.98%	
OTHER RATES	
UK 3-mth Interbank 5.5%	(84.00)
UK 10 yr Gilt 9.9%	(100.2)
France 10 yr OAT 10.25%	(105.65)
Germany 10 yr Bund 10.37%	(100.81)
Japan 10 yr JGB 10.522%	(105.133)
NORTH SEA OIL (Argus)	
Brent Dated 19.70%	(19.53)
GOLD	
New York: COMEX Gold (485.4)	(348.5)
London: Gold 348.15	(347.55)
DOLLAR	
New York: London £ 1.5985	
DM 1.68105	
FF 5.872	
Sfr 1.4446	
Y 122.7	
London: £ 1.5973 (1.599)	
DM 1.6815 (1.6782)	
FF 5.873 (5.873)	
Sfr 1.4447 (1.4407)	
Y 122.75 (122.51)	
Tokyo close: Y 122.8	
STEELMAKING	
DM 2.8658 (2.8567)	

Japan 10 yr JGB 10.522%	Spain 10 yr Gilt 10.5%	UK 10 yr Gilt 9.9%	US 10 yr T-Bill 5.5%
US 10 yr T-Bill 5.5%	US 3-Mth T-Bill 5.25%	US 1-Mth T-Bill 5.25%	US Fed Funds 5.5%
US Fed Funds 5.5%	US 3-Mth T-Bill 5.25%	US 1-Mth T-Bill 5.25%	US Fed Funds 5.5%
US Fed Funds 5.5%	US 3-Mth T-Bill 5.25%	US 1-Mth T-Bill 5.25%	US Fed Funds 5.5%

Krupp delays Thyssen bid

Groups to discuss joint steel venture

By Ralph Atkins and Peter Norman in Bonn

Krupp Hoesch, the German steel and engineering group, yesterday put its hostile takeover bid for rival Thyssen on ice after political pressure led both sides to agree to hold talks on forming a joint steel venture.

The turnaround, less than 24 hours after Mr Gerhard Cromme, Krupp's chairman, launched his ambitious assault on Thyssen, came after trade union protests. It coincided with remarks by Mr Helmut Kohl, Germany's chancellor, expressing "great worry" about the takeover and its "negative impact" on jobs.

Mr Cromme and Mr Dieter Vogel, Thyssen's chairman, agreed to discussions starting today after a meeting late on Tuesday with Mr Johannes Rau, the Social Democratic party prime minister of North Rhine Westphalia, where the two groups are located.

But if talks are not successful within eight days, Krupp has vowed to resume its hostile approach which values Thyssen at DM13.6bn (\$8bn).

Krupp is advised by Deutsche Morgan Grenfell, Dresdner Kleinwort Benson and Goldman Sachs. Thyssen is

discuss details of the talks, including the job implications of an agreed merger of their steel interests. Together they have sales of about DM15bn, excluding stainless steel.

In an interview today in the Bild newspaper, Mr Kohl appeals for the groups to consider their "overall responsibility" and for a "common-sense solution" in the interests of employees as well as the German economy.

Mr Günter Rexrodt, federal economics minister, said talks on a merged steel business

employees temporarily stopped steel production and held rallies yesterday.

Unions at the two companies have expressed a determination to work together and were last night meeting amid fears that many jobs could still be threatened.

However, Mr Klaus Zwickel, chairman of IG Metall, the metal and steel workers' trade union, said the North Rhine Westphalia initiative was "a first success against the wild west tactics of the large German banks".

Both companies refused to

Continued on Page 18
Shake-up in industry, Page 17
Market principles, Page 21
See Lex

France Telecom seeks stake in C&W unit

By Alan Cane, David Owen and Hugo Dixon in Paris

France Telecom is in talks over taking a stake in Cable and Wireless Communications, the UK subsidiary of the Cable and Wireless group.

Mr Michel Bon, France Telecom chairman, said C&W could become "the British relay station" of Global One, the company's telecoms alliance with Deutsche Telekom and Sprint of the US.

Speaking before the group announced its last results before partial privatisation, Mr Bon said: "We are interested in a position in C&W." But he cautioned: "I would not say we were close to a deal."

He also disclosed that the flotation would seek to raise between FF300bn (\$52.2bn) and FF500bn for the French government, considerably more than previously expected and probably making it France's largest privatisation.

Mr Bon said the talks could encompass a stake in C&W itself, the UK's second largest telecommunications group after British Telecommunications.

Yesterday, sources close to the UK company confirmed that talks had been held with France Telecom. But they said a deal involving C&W was only one of several options being considered by Mr Richard Brown, the UK group's chief executive.

C&W and France Telecom yesterday comprehensively denied a report that the groups were planning to collaborate in a bid for Sprint, the third largest US long distance operator.

Trading in the American Depository Receipts of C&W was briefly halted on the New York Stock Exchange, with a symbol indicating that a statement was to be made. But trading continued in London and C&W indicated no statement was pending.

Mr Bon said France Telecom and Deutsche Telekom, which each hold a 10 per cent stake in Sprint, were considering deepening their relationship with the US operator - for example in mobile communications.

His confirmation of negotiations with C&W is one of the few points of certainty in a European telecoms industry beset with rumour and speculation as operators jockey for position before the opening of most European telecoms markets to full competition on January 1 1998.

Mr Brown of C&W has made clear that C&W, formed last year through the merger of Mercury Communications with three cable television companies, is the group's principal vehicle for expansion.

Lex, Page 18; Results, Page 19



A policeman marshals Albanian refugees who arrived by fishing boat at the Italian port of Brindisi yesterday, as the Rome government declared a state of emergency to cope with the continuing influx. Report, Page 2

Billionaire prince buys 5% of TWA

By Richard Tomkins in New York

Saudi billionaire Prince Al Waleed Bin Talal has taken his first step into the airline industry by buying a 5 per cent stake in Trans World Airlines, the heavily loss-making US carrier, it emerged yesterday.

TWA said the prince had bought 2,088 shares of its common stock. No price was put on the deal, but with TWA's shares \$4 up at \$55 in early trading yesterday, the stake was worth \$114.5m.

Prince Al Waleed's extensive worldwide interests include investments in Canary Wharf, the London office complex; Euro Disney, the Paris theme park; Citicorp, the US bank; and several big hotel groups.

The prince tends to buy into companies at a time when they are perceived to be in financial difficulties, hoping to profit from their recovery. He favours famous names and businesses with an international flavour.

The prince's office in Riyadh, Saudi Arabia, said he had bought the shares for investment purposes, indicating that he was not planning to intervene in the management of the company.

TWA said it was pleased by the prince's interest. It said he

had told the company that he had no plans to increase his stake at present, and that he hoped the management would succeed in its efforts to bring TWA to long-term profitability.

One of the prince's advisers yesterday described him as "a passive investor but, a very active owner", meaning that he tries to help the companies in which he invests by using his powerful influence to promote their interests.

One example, the adviser said, was the way in which he had secured new opportunities for expansion in the Middle East for Four Seasons, the Canadian hotel group in which he holds a substantial stake.

Although Prince Al Waleed has no previous experience of investing in the airline industry, TWA fits his criteria. TWA is a business with a well-known name, and is in serious financial difficulties.

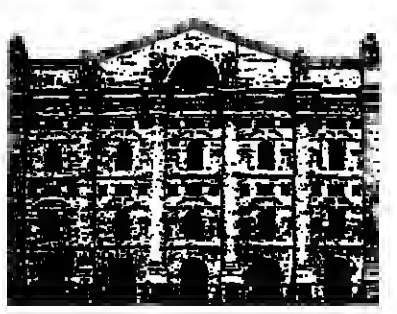
The company has been through bankruptcy twice, and on Tuesday published figures showing that its net losses shot up from \$227.5m to \$321.2m last year. The prince has made big profits from many of his investments, but Wall Street yesterday seemed unconvinced by his confidence.

TWA said it was pleased by the prince's interest. It said he

World stocks, Page 38

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NEWS: EUROPE

Italy calls emergency over Albania

By Robert Graham in Rome and Guy Denmore in Tirana

The Italian government yesterday introduced a state of emergency to cope with the influx of Albanians fleeing across the Adriatic.

The emergency will last until June 30 and will confer special powers that cut through bureaucracy and allow quick release of funds. The decision was taken at a cabinet meeting yesterday dedicated exclusively to the Albanian crisis.

The interior ministry said that by early yesterday more than 10,000 Albanians had reached Italy since last Thursday in a constant flow

of boats. When Albania was consumed by anarchy last week, the Italian government set in motion plans to accommodate 3,500 Albanians in the Puglia region which faces the Balkan state across the narrow Adriatic.

"The size of the influx and the rhythm of arrivals have exceeded every reasonable estimate," Mr Giorgio Napolitano, the interior minister, told parliament.

Mr Piero Fassino, the deputy foreign minister, said on Tuesday that organised crime was now involved in the exodus. Gangs were charging people at least £250,000 (\$150) per person to cross. As fuel in Albanian

ports becomes scarce, bigger vessels have taken to towing small craft which are then left in international waters to be rescued by the Italians.

In an effort to discourage the boat traffic more than 160 craft have been impounded and are unlikely to be released soon. Some 30 decrepit vessels of the Albanian navy, three-quarters of the country's operational fleet, are being moved to Taranto, Italy's main naval base. Most of the crews have sought political asylum.

The Italian government has also acquired powers to provide residence permits to Albanians for 60-90 days. Most will be obliged to stay

in temporary camps.

Yesterday saw the first enforced repatriation of Albanians deemed undesirable. Helicopters ferried to Tirana 210 people who had forced their way aboard the Italian warship San Giusto in Durres last week and who had been held at Taranto.

Another 78 were flown from Bari to Tirana. The criminal records of hundreds more are being checked, but returning those who have escaped from Albanian prisons is problematical since the jails were ransacked.

No effort was made to arrest them on their return to Tirana airport. Police simply dumped them at the air-

port perimeter clenching their plastic bags of toiletries handed out in Italy. "Now they are free because no jails exist in Albania at the moment. All are destroyed," said Mr Spartak Ngjela, Albania's justice minister, throwing up his hands.

However, the new Albanian coalition government is making stronger efforts to discourage the exodus. Police forces yesterday took control of Durres port from the criminal gangs and no more refugees were to be seen on the docks.

The government has restored order to the capital by mobilising hundreds of

armed vigilantes, but looting and violence continues in towns in southern Albania. Residents said more than 30 people had been killed since Tuesday in the south-east town of Korca.

A European Union delegation ended a two-day fact-finding mission to Albania yesterday, saying the government was making an "honest and serious effort" to restore normality. The Dutch foreign minister, Mr Hans Van Miert, will make his recommendations on aid for the country to a meeting of the European Council on Monday. However, the EU has ruled out military intervention.

Banker prescribes regular Emu diet

By Peter Norman in Bonn

Mr Wim Duisenberg, future head of the European Monetary Institute, warned last night that European economic and monetary union could only create prosperity if the Maastricht treaty's strict economic conditions were met and sustained.

He was giving a clear hint that the Emu would oppose membership of the single currency for countries resorting to creative accountancy.

Drawing on the experience of the Netherlands, where he is central bank governor, Mr Duisenberg said it took years to establish a culture of stability. In a speech to a think-tank close to Germany's opposition Social Democratic party, he said the good performance of the present Dutch economy could be traced to the early 1980s.

Dutch ability to create jobs has attracted keen attention in Germany where unemployment is at a record 4.67m and a lively debate is under way over how far to restructure the nation's collective wage bargaining system and generous welfare services.

Mr Duisenberg said key decisions had been taken 15 years ago. Then, Dutch employers and workers had agreed wage cuts and decentralised wage setting, and the state had begun to cut its borrowing and debt so that the public deficit was now "far below" the Maastricht limit of 3 per cent of gross domestic product.

"This improvement in the economic situation is no luxury and no reason for self-congratulation but rather pure necessity," he said. "The policy has not yet reached its objective, because there are still too many unemployed and state indebtedness is too high."

He had a word of advice for Emu aspirants. "Countries should not look on qualification as a springboard competition in which they do everything to reach their goal as quickly as possible. They should live healthily and give up bad habits such as big budget deficits just like giving up excessive smoking and drinking."

The Bundesbank this week highlighted how far Germany has become addicted to deficits and borrowing. Warning that Germany faced a "debt trap" in which fast rising interest payments made it impossible to escape growing deficits and high state debt, it said public debt reached 60.7 per cent of GDP last year compared with only 42 per cent in 1989.

EU beef to be labelled with state of origin

By Caroline Southey in Brussels

Britain yesterday dropped its threat to block European Union plans to force beef to be labelled with its country of origin.

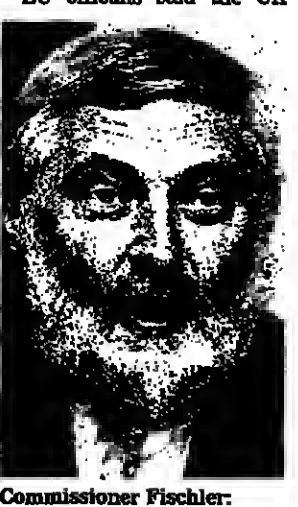
This was part of a two-pronged strategy to boost consumer confidence which has been severely damaged by fears over "mad cow" disease. The EU unanimously backed plans for obligatory labels, to come into force in 2000, carrying data on where the animal was born, raised and slaughtered, as well as a compulsory passport system for cattle from 1998.

Mr Jozias van Aartsen, the Dutch farm minister, said the decision meant greater clarity for EU consumers. Mrs Annika Ahnberg, the Swedish farm minister, called it a "victory for consumer interests".

Britain threatened to block the plan for fear that consumers would be driven away from beef labelled as British even after the world-wide ban on UK beef was lifted. However, it supported a compromise under which labels will only be compulsory for beef exported to other EU countries, leaving member states free to sell their own beef without labels in their domestic markets.

"The proposal gives the UK an opt-out for its own market and does not commit us to across-the-board origin markings," a British official said.

EU officials said the UK



Commissioner Fischer: serious regrets

decision had also been made easier by the fact that the European Commission had compromised on the ceiling it wanted to impose on compensation for farmers for loss of income from green currency revaluations.

However, the farm ministers' decision is controversial because it sends a clear signal to Mr Jacques Santer, the Commission president, that the farm lobby is vehemently opposed to his campaign to give the European Parliament a greater say in agricultural policy.

The ministers threw out the Commission's original proposal which would have given the parliament the right to veto the policies. They opted instead to back the Dutch presidency's plans which exclude parliamentary involvement.

Mr van Aartsen defended the ministers' decision, denying it was a snub to MEPs. "All the farm ministers wanted was a speedy conclusion," he said.

However, Mr Franz Fischler, the agriculture commissioner, said he "seriously regretted" the ministers' decision to exclude the parliament.

The Commission faces a motion of censure by MEPs at the end of the year if it fails to overhaul the way in which EU farm policies are made.

The agreement to ensure that cattle can be traced throughout the EU involves registering all animals, tagging them with identification codes on each ear and issuing passports within 10 days of their birth. In addition, all information on the registration and movement of cattle must be entered into computerised data bases by 2000.

EU officials said the compulsory labelling regime could have implications for third country beef imports. The directive allows member states to demand country-of-origin labels on all beef entering their markets, including meat from outside the Union.

"This could create a problem for the EU under World Trade Organisation rules because it imposes new obligations on third countries," an EU official said.



Mr Louis Schweitzer, chairman of French carmaker Renault, arrives at a meeting with unions to discuss the closure of the company's Belgian factory with the loss of 3,100 jobs, reports Neil Buckley. Mr Schweitzer told union leaders in a two-and-a-half hour meeting at Beauvais, 60km north of Paris, that the closure decision was "irrevocable", and could not be delayed beyond the targeted date of July.

Union leaders said they were "very disappointed" by his refusal to re-examine Ren-

ault's restructuring plan, or discuss alternatives to the closure such as a reduction in working hours. But the Renault chairman said he was prepared to discuss measures to alleviate the impact of the closure.

Renault has been criticised by the French and Belgian governments, and the European Commission, for its handling of the closure. Renault unions in Belgium, France and Spain were last night planning further industrial action in protest over the move.

Van Miert to seek state aid for EU shipyards

By Emma Tucker in Brussels

Mr Karel Van Miert, EU competition commissioner, will next month ask industry ministers from the member states to approve a series of state aid payments to shipyards in Spain, Germany and Greece.

The aid includes DM1bn (\$596m) of new money for the two beleaguered east German shipyards caught up last year in a financial scandal.

Insisting yesterday that the subsidies would not alter the "relative competitive situation" of the markets concerned, the Commission said it had been compelled to take a decision because of failure to make progress on an OECD pact to eliminate subsidies to shipyards.

Brussels had put off action pending the outcome of an OECD meeting last week at which it had been hoped progress could be made towards completing the multilateral pact. The US is the only country not to have

approved the deal, which covers the EU, Norway, Japan and South Korea.

In view of the lack of any positive outcome to the OECD meeting last week, the Commission feels obliged to act. If the future of the yards concerned is not to be jeopardised, the Commission said, if a qualified majority of ministers approves the aid plans, the Commission will be allowed to give the formal go-ahead.

In the German case, the aid will replace money allegedly diverted from the two east German shipyards MTW-Schiffwerft and Volkswerft, by their former parent company. It siphoned off the funds in a move that was beyond the control of the two yards, according to the Commission, which has been investigating the case.

The Commission said new aid of roughly DM1bn had been requested, to replace funds of roughly DM580m and make up the contributions that were to have come from Bremer Vulkan. This

will allow the state, which took back control of the yards following the scandal, to complete a restructuring programme ahead of privatisation.

In Greece and Spain, the aid is mainly needed to cover interest payments the yards had to pay on loans taken out after the government was unable to pay previously negotiated state aid, either for budgetary or legal reasons.

In Spain, the assistance covers restructuring plans at the public yards, with a view to making them viable by the end of next year. The aid amounts to Ptas315bn (\$2.2bn). The Commission is demanding capacity reductions in return.

In Greece, the government has asked to be allowed to write off Dr44,250bn (\$240bn) in debts run up during privatisation of the Hellenic Shipyard. The Commission judged that since conditions for the yard to become viable had been met, it was reasonable to grant the aid.

EUROPEAN NEWS DIGEST

Solidarity in police clash

About 100 militant supporters of the Solidarity trade union clashed with police yesterday as they were evicted from the treasury ministry in Warsaw which they had occupied in protest at the closure of the Gdansk shipyards.

Windows were shattered, chairs and fire extinguishers were hurled and ministry corridors filled with smoke as police, initially repulsed by the protesters, stormed the building.

Some of the demonstrators were taken away by ambulance but it was unclear whether any were seriously injured. Others who were evicted headed to the nearby ministries of labour and the economy where similar protests were underway. Workers are angry about the closure of the shipyards, birthplace of the Solidarity movement, and the loss of 3,700 jobs.

Mr Marian Krzaklewski, Solidarity's leader, denounced the police action as provocation and warned the protests could lead to a general strike.

Union officials said members from the Ursus tractor factory outside Warsaw were on their way to the ministries to back colleagues. Other activists, including miners from Silesia, had earlier occupied a corridor in the economics ministry.

AFP - Warsaw

Dispute over Danish can ban

The European Commission is threatening Danish authorities with legal action because of their ban on the use of metal cans for beer and soft drinks.

The Commission believes this may be contrary to the European Union's 1994 packaging and packaging waste directive, which aims to reduce the environmental impact of waste and ensure a single market for products.

The Commission said it was not convinced by Danish arguments for retaining the ban but that it would give the Danes a chance to respond before taking a decision on whether to take the matter to court.

The European metal can producers' lobby, which includes leading steel companies is unhappy about the ban and in recent months has argued it is in breach of the packaging directive.

AFP - Brussels

Romanian investment plan

Mr Urm Spineanu, Romania's reform minister, is to propose a 26 per cent capital gains tax this week on foreign portfolio investments of less than one year, a ministry official said yesterday. He will also propose an 18 per cent capital gains tax on investments of one year or more.

Romania has no capital gains tax on foreign portfolio investments. The official said the draft proposal also eliminated current requirements that foreign portfolio investors win case-by-case approval by the finance ministry before repatriating investments or profits.

Ms Cecilia Vlasceanu, a councillor minister said: "We will give great liberty for repatriation. Investors will be able to repatriate whenever they want but the higher tax on shorter investments is in Romania's interest. Mr Spineanu's proposal is to encourage the investors to leave their money here longer."

The proposed bill is likely to be approved in the next few days and could be presented to parliament next week.

AP-Dom Jones, Bucharest

Study on Russian economy

Nearly half the Russian economy is controlled by organised criminals and billions of dollars are haemorrhaging out of Russia as a result, according to a US study.

"In Russia, organised crime groups are dominating both legitimate and illegitimate economic sectors simultaneously," said the report, in the latest issue of the World Bank newsletter Transition, distributed in Moscow yesterday.

The study by Ms Louise Shelley, a law professor at American University in Washington, says that new criminal owners of enterprises are not interested in making their companies work but are draining resources and transferring the proceeds abroad, exacerbating both capital flight and non-payment of wages.

Ms Shelley said organised crime had seized control of more than 40 per cent of the Russian economy by taking advantage of and manipulating the government's privatisation programme.

Reuters, Moscow

Generali in move over records

Generali, the Italian insurance group, is seeking to attach conditions to an agreement to allow Yad Vashem, the Israeli Holocaust research institute, access to company records of Jewish policyholders killed during the second world war.

Generali wants a guarantee that it will not be forced to pay claims to the families of those its records reveal to have been policyholders. It also wants Yad Vashem to promise not to pass information to those who believe their relatives were insured by the company.

An Israeli lawyer is handling claims from some 50 families who say that their relatives had been Generali policyholders whose claims were never paid.

A company spokesman said Generali would make no materials available while it was being pressed for payments. "This is unthinkable," he said. "At least at the moment."

He said that Generali assets in Eastern Europe were nationalised by communist governments after the war and therefore, it had no obligation to pay post-war claims. Generali agreed to make materials available to Yad Vashem earlier this month, a few days before Israeli officials were set to approve its acquisition of a controlling stake in the formerly state-owned Israeli insurer, Migdal.

Norma Cohen, London

ECONOMIC WATCH

German M3 growth slows

Germany's central bank said yesterday that M3 money supply growth in February slowed markedly from January because of a rise in money capital formation. Seasonally adjusted, annualised M3 growth in February slowed to 8.1 per cent from the average of the final quarter of 1996 compared with 11.7 per cent in January. Growth was also damped down by an outflow of funds in foreign transactions by domestic non-banks and by lower bank lending in the public sector. By contrast, bank lending to companies and private individuals strengthened, owing in large measure to securities purchases by banks.

Reuters, Frankfurt

■ The west German business climate index rose to 93.6 in February from 93.3 in January, and was up from 97.4 a year earlier, the Ifo economic research institute said.

■ Dutch registered unemployment fell to 429,000, or 5.4 per cent of the workforce, in the three months to February, from 468,000 or 7 per cent a year earlier, according to unadjusted figures from the central statistics bureau.

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السنة الرابعة

Russia firm over Nato expansion

By John Thornhill in Moscow and Chrystie Freeland in Helsinki

On the eve of what could be an historic summit between Russia and the US, the Kremlin yesterday remained defiantly opposed to the Nato alliance's planned eastward expansion.

Speaking in Helsinki, the summit venue, the Kremlin's chief spokesman warned that no amount of talking would alter Russia's fundamental hostility towards Nato's proposal to embrace several eastern European states.

"Russia's approach to Nato expansion will not change regardless of any summit, bilateral meetings and negotiations," said Mr Sergei Yastrzhembsky, the presidential spokesman.

Mr Yastrzhembsky said the summit, which begins today, would help define the shape of the Russian-US partnership in the twenty-first century.

Mr Nikolai Kovalev, director of Russia's Federal Intelligence Service, one of the successors to the KGB, also kept up the pressure. He warned: "Now is a key moment, it depends on the west whether we will to some degree return to the attitudes of the Cold War."

Mr Yastrzhembsky said that Russia realised it could not halt Nato expansion. In a hint of a possible breakthrough at the two day meeting, he added that Nato had also gone a long way in preparing a charter that would address Russia's genuine security concerns. "This is

already a real step towards compromise. Nato is showing more realism in its negotiating position with Russia," he said.

Citing leaked western documents, the Ivestiya newspaper reported that a five-part Nato charter would address many of Russia's concerns. The agreement would define areas of co-operation, such as peace-keeping, arms control, nuclear safety, and defence conversion. But it would also outline the principles and mechanisms for exchanging information about defence politics and strategy. A permanent consultative committee would be established in the newspaper claimed.

President Boris Yeltsin would appear to have a strong bargaining hand as far as domestic political considerations. There is near unanimity in Moscow opposing Nato's expansion even if few politicians believe it to be a serious military threat.

Russia's nationalist dominated parliament agreed yesterday that it would debate a resolution later this week prohibiting Russia from ever joining Nato.

Even leading liberal politicians, who favour pro-western politics, have been highly critical of Nato enlargement plans.

Mr Yegor Gaidar, leader of the liberal Democratic Choice faction, said yesterday: "Nato expansion in the form that it has been announced is a stupidity. I think it is a serious mistake of the west."

Editorial Comment, Page 17

Slovak actors in protest over political power play

A row between the government and the arts community that has closed most of the theatres in Slovakia is threatening to become a wider confrontation over the often heavy-handed policies of Mr Vladimir Meciar, the prime minister.

Students demonstrated in Bratislava on Monday in support of actors and theatre workers who have been on strike since last month in protest at a reorganisation of cultural institutions that has cut funding and given government appointees "supervisory" powers.

Last week a protest by actors and opposition MPs at the culture ministry was broken up by police. The ministry has become the focus of the discontent as strikers fight what they claim is an attempt by the government to exercise the tight control over cultural life that it already wields at state radio and television.

The arts have become the latest battleground in the struggle for the upper hand in Slovak politics. The opposition and President Michal Kovac, who faces constant

hostility from Mr Meciar, have given strong backing to the strikers.

After last week's showdown Mr Kovac called for the resignation of Mr Ivan Hudec, culture minister, who refused to meet the strikers at his ministry. "It is deplorable that the artists of this country have to resort to such methods to meet their minister," he said.

Significantly, the strike has won broad public sympathy and strong support from trade unions and the Roman Catholic church, which is increasingly vocal in defence of civil liberties. A proposed strike by transport workers in the capital next month looks certain to become a show of support for the beleaguered actors.

These developments come amid signs of a shift in public opinion away from the nationalist/populist government 18 months before the next election. The three-party coalition led by Mr Meciar is increasingly on the defensive over a range of mishandled issues.

There is widespread cynicism over the secrecy surrounding the privatisation of

state assets, many of which have been sold to allies of the government. There is also a perceived breakdown in public order following a series of bomb attacks, including one on the home of an opposition MP for which no one has yet been charged. The discontent is fuelled by a slowdown in economic growth.

"Opinion seems to be swinging towards the opposition," said Mr Eugen Jurzyca, president of the Centre for Economic Development, a think-tank. "There is a perception of corruption and fear of a breakdown in security, and people blame the government for this."

Given the Shakespearean nature of Slovak politics it is perhaps fitting that these grievances should find an outlet in a theatre strike. Dissent in former Czechoslovakia was led by artists. Now they see a drift back to communist-era censorship and intolerance of dissent.

This week's student protesters rattled their keys in an echo of a famous habit of demonstrators during the 1989 "Velvet Revolution" against the old Czechoslovak

regime. Mr Václav Havel, the playwright who became a president, and other well known artists in Prague have sent messages of support to the striking actors.

Mr Meciar's government already has a firm grip on state radio and television and there have been attempts, so far unsuccessful, to introduce a law on "protection of the republic" that would curb protests. People in the arts, media or academic life unwilling to toe the government line can have subsidies cut, appointments vetoed or jobs lost without explanation.

The fear is that if the reorganisation of the arts goes ahead, funding will depend on whether the work is deemed "acceptable" by the newly appointed regional arts supervisors, creating an unofficial and arbitrary blacklist. "If you were an artist under communism at least you knew you were banned. Now you don't. It's more subtle," said Mr Miroslav Behlavy, a drama student.

Most Slovak theatres are silent. The opera star Mr Peter Dvorsky has refused to



Opera singer Peter Dvorsky is one of many artists angry about government plans to reorganise the arts

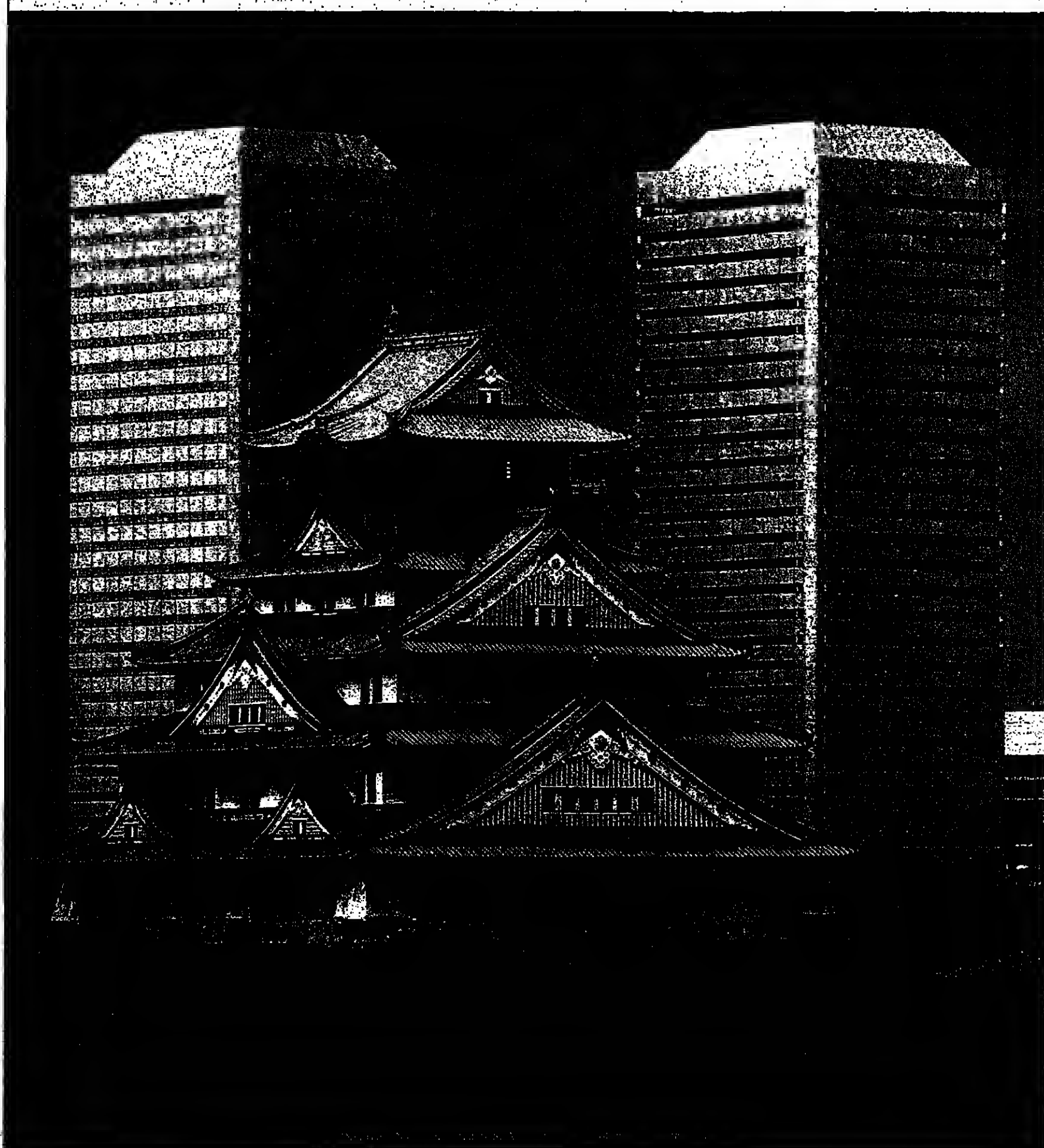
set foot on a stage until the plans are abandoned. He quit the state opera last year in support of Mr Dusan Jambor, the artistic director of the Slovak National Theatre, who was sacked for his opposition to the moves. The SNT is also strikebound.

Mr Hudec insisted the changes were an effort to conserve scarce resources and said the protesters were being manipulated by the opposition. Theatre people say the strike will go on until the government with-

draws its plans. Observers say the government miscalculated the scale of the outcry. Last week's decision to bring police to the culture ministry to remove demonstrators exacerbated matters, and Mr Hudec is to face a no confidence vote in parliament next month over his handling of the crisis. Mr Meciar might choose to sacrifice his minister and start afresh, one diplomat said.

Vincent Boland

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GE to close down Moscow subsidiary

By Matthew Kaminski in Moscow

General Electric of the US will next month shut down a Moscow subsidiary because of what it calls the erratic enforcement of tax laws and the absence of an efficient appeals process.

GE, whose sales totalled \$600m in Russia last year - more than any other foreign investor - decided to cease operations at RAO GE International, its Russian distribution company, after tax officials seized its bank account in October to collect what they claimed were unpaid taxes.

Mr Per Jonsson, GE's Moscow representative, said the authorities had demanded money for three taxes (as Russian law allows) that, according to its accounts, the company had already paid. The dispute is illustrative of persistent investor complaints that the transparent accounts of foreign companies are easy targets when the cash-strapped government is looking for money to make up for widespread tax evasion by Russian enterprises.

The tax crackdown came just after the International Monetary Fund suspended its \$10.1bn loan programme in Russia because lower than expected tax revenues threw the planned budget deficit off target.

The subsidiary which GE is closing was set up in 1991 as a distributor for its plastics and silicones used in construction, which has recently boomed in Moscow. Now that the dispute over tax has moved to the arbitration court, the company has decided not to wait for the outcome.

Mr Jonsson said the company would use Russian distributors, which have become more reliable. Its investments in an aircraft engine manufacturing venture and the sale of medical and gas transmission equipment would continue.

Taxes "are a very, very serious problem that no one should be shy talking about," said Mr Jonsson. "The tax code is not stable and rates change all the time. It is too open to interpretation at the lowest levels."

"And there is no structured appeals process," he added. "That is one of its most obvious deficiencies."

Mr Peter Charov, head of

the Moscow office of the American Chamber of Commerce which has 375 members, said taxation was still the big issue for investors in Russia.

"If anything has changed in the past few years, it is that the situation has grown worse. They've gotten better at enforcing bad laws. Taxes make it uneconomic to do business here," he said.

According to estimates by the European Bank for Reconstruction and Development, Russia, even with its capital needs in sectors such

Russia's tax authorities have launched initial bankruptcy proceedings against 90 of the country's biggest corporate tax debtors which allegedly owe the government a total of Rhs35,000bn (\$6.1bn), writes John Thornhill in Moscow.

The enterprises include AvtoVAZ, maker of Lada cars, and Yuzhenskiy, one of Russia's biggest oil companies. Tax authorities have also begun monitoring every company whose outstanding tax debts exceed Rhs3bn, with a view to possible action.

The authorities' aggressive approach could lead to a restructuring of enterprise debts, sackings and the sale of controlling shareholdings to outside investors. However, many bankruptcy proceedings have been bogged down in the courts for months, worsening the growing inter-enterprise debt crisis in the economy.

In a further signal of the priority the government places on tax collection, Mr Alfred Kokh, privatisation minister, has been made responsible for the entire budgetary revenues area, including the tax service.

as oil and gas, attracted just \$5.1bn of foreign direct investment between 1989 and 1996.

Nevertheless, some companies have been successful in appealing against fines in the developing Russian court system.

The US pharmaceuticals company Johnson & Johnson has won nine of the 10 cases it has brought against the tax police, according to Mr Charov.

A Russian banker said a good litmus test for the new government would be its ability to push tax reform through parliament.

NEWS: INTERNATIONAL

Scandal threatens to taint Netanyahu government □ Labour party succession complicates plan

Likud tempted by national coalition

By Judy Dempsey in Jerusalem

Mr Tzahi Hanegbi, Israel's justice minister, could hold the key to the future shape of the government as police investigations into an alleged scandal draw to a close.

Senior members of the governing Likud party believe that if indictments are served against Mr Hanegbi for his alleged involvement in trying to rig the appointment of a new attorney-general, Prime Minister Benjamin Netanyahu's government will be tainted by corruption.

If so, they have not dismissed the idea of forming a national unity government with the opposition Labour party led by Mr Shimon Peres. Mr Peres seems attracted to the idea as well. He recently told a small group of Labour deputies he would consider forming a national unity government with Mr Netanyahu. His argument was that Labour could save the peace process, which ground to a standstill after the go-ahead was given to start building a new Jewish settlement at Har Homa.



Israeli border police guarding machines working at the Har Homa housing project

in Arab east Jerusalem.

Mr Peres, however, is awaiting the outcome of police investigations into the so-called "Bar-On affair" before committing himself fully.

Police are trying to ascertain whether some cabinet ministers were aware of an alleged deal initiated by Mr

Aryeh Deri, leader of Shas, a member of the coalition.

It has been alleged that Mr Deri agreed to support an Israeli troop withdrawal from Hebron if his nominee, Mr Roni Bar-On, was appointed the next attorney-general. At the same time, Mr Deri was allegedly seeking a plea bargain in an on-

standing corruption case if his nomination was accepted.

In Likud there is some consensus that Mr Netanyahu might be persuaded it would be better to form a national unity government with Mr Peres, and perhaps sooner rather than later.

Government officials say

Likud is assuming it could win the next election with such a national coalition if Mr Netanyahu, increasingly beholden to his nationalist and far-right coalition parties, is unwilling to see out his term of office in the current circumstances.

The timing for a national unity government is as crucial to Mr Peres as it is to Mr Netanyahu. Mr Peres said he would step down at the party's convention in June, when the leadership will be contested by Mr Ehud Barak, the former chief of staff, and considered the front-runner.

Yesterday Mr Barak sharply criticised the idea of a national unity government, saying he could not support a morally corrupt and incompetent Likud administration. "A govern-

ment of failure, disgrace and stink should not be joined," he said, adding that the Bar-On affair "reeks to the heavens. It is something that goes down to the fundamentals of what is government and what kind of state we want."

Mr Netanyahu would be loath to have Mr Barak as a coalition partner. Mr Barak,

according to his aides, probably knows the prime minister's qualities and character better than any Likudnik - he was Mr Netanyahu's commander when the prime minister did his stint in the army.

Hence the importance of the timing for Mr Peres and Mr Netanyahu. If Mr Hanegbi is indicted - and the government tainted - Likud's calculation is that a government with Mr Peres would be acceptable and would keep it in power.

Likud has less than two months to move, since it is likely Mr Barak will win Labour's leadership contest. "This would cut off Likud's chances of spreading the blame," said a Barak supporter. "And frankly, I don't see why we have to rescue this wretched government."

Mr Yossi Beilin, one of the architects of the Oslo peace accords who is also contesting the Labour leadership, went further in his criticism of a national unity government at this time. "The Labour party should focus all its attention on toppling the government regardless of the outcome of the Bar-On affair," he said.

INTERNATIONAL NEWS DIGEST

New strategy to beat TB

The World Health Organisation (WHO) said yesterday its new strategy for treating tuberculosis represented a breakthrough in tackling the age-old disease and could save millions of lives worldwide. The WHO programme could also dramatically reduce the threat of the emergence of TB bacilli resistant to drugs and cut long-term costs, agency representatives told a news conference in Berlin.

The plan, known as Dots or Directly Observed Treatment Short-course, was causing the worldwide TB epidemic to level off for the first time in decades, they said. WHO calls for training health workers or community members to counsel and observe TB patients to ensure they take the standard four antibiotics, not only until symptoms disappear but until they are cured.

"This is the single most important development in the fight against humanity's oldest and most deadly disease since [German scientist] Robert Koch discovered the TB bacillus in 1882," the WHO's TB programme director, Mr Arata Kochi, said.

Reuters, Berlin

Robinson backed for UN job

The Irish government said yesterday it was formally nominating its first woman president, Ms Mary Robinson, for the job of United Nations High Commissioner for Human Rights and would "actively support her candidature in every possible way."

Ms Robinson said last week that she would not be standing for re-election after almost eight years, prompting a wave of speculation that she would seek a UN position that suited her interests in human rights and the developing world.

Irish government support for her candidature was announced as Ms Robinson visited the UN criminal tribunal for former Yugoslavia in The Hague, the first head of state to do so. It also follows weekend expressions of support for her to seek the job from the White House, which has taken a tough stand towards reform and cost-saving at the UN.

Reuters, Dublin

Kazakhs 'dissatisfied'

An overwhelming majority of Kazakhs believe official corruption is rife in the former Soviet republic, according to an opinion poll published yesterday. The poll, which canvassed 1,500 people and was carried out by the Washington-based International Foundation for Electoral Systems last December, showed 91 per cent of the 16.9m population considered government corruption a "serious problem".

The poll also found 82 per cent of Kazakhs "dissatisfied" with the situation in the oil-rich country, up from 77 per cent in 1995.

Kazakhs were also deeply pessimistic about any economic improvement, with 44 per cent saying the economy would worsen in the next six months, 36 per cent saying it would stay the same and only 10 per cent believing it would improve.

The figures will be bad news for Kazakh President Nursultan Nazarbayev, whose popularity has plummeted because of the country's chronic backlog of unpaid wages and pensions.

Mr Nazarbayev has given Mr Akexhan Kazhegeldin, his prime minister, until April 10 to redress the payments crisis or face the sack.

Reuters, Almaty

Hussein sacks his prime minister

By Judy Dempsey

King Hussein of Jordan yesterday sacked Mr Abdul-Karim al-Kabarti, the prime minister, following a rift over policies towards Israel and other domestic issues. His dismissal came a week after a Jordanian soldier killed seven Israeli schoolgirls visiting a tourist site on the border between the countries.

Palace officials dismissed speculation that Mr Kabarti, 47, might have been made a scapegoat, adding that the king had been planning to introduce government changes for some time.

Mr Kabarti, who was also foreign and defence minister, has been replaced by Mr Abdul-Salam al-Majali, 71, a former prime minister who signed the peace treaty between Israel and Jordan in 1994.

The business community, which has enthusiastically embraced the gradual economic and political reforms spearheaded by Mr Kabarti, had mixed opinions about Mr Majali's ability to achieve further restructuring.

"It's too early to judge," one Jordanian analyst said. "Maybe Mr Majali will consolidate renewed links with Iraq, boost trade, and continue the reforms. But I think what is behind the sacking is Jordan's relations with Israel."

Relations between the two reached their lowest point for some time last week when King Hussein sent a scathing letter to Mr Benjamin Netanyahu, Israel's prime minister, accusing him of jeopardising the peace process in a way which could lead to violence. Mr Netanyahu angrily responded. The two leaders have since re-established a modus vivendi after King Hussein visited the schoolgirls' families.

Mr Kabarti often voiced his own views about Israel, sensitive to his Palestinian constituency. 40 per cent of the Jordanian parliamentary deputies are Palestinian. Analysts said this might have tested King Hussein's patience, having another senior official express often critical opinions about the peace process, when the king has had to strike a balance between keeping ties with Israel and recognising the depth of Palestinian sentiment at home.

Last week, when Mr Yitzhak Mordechai, Israel's defence minister, visited Amman, Haaretz, the liberal Israeli daily newspaper, reported almost verbatim a conversation between him and Mr Kabarti. Apparently Mr Kabarti said Mr Netanyahu's recent visit to Jordan "was like bad news for us".

His remarks reflected growing frustration among sections of the Jordanian establishment. It had high expectations of the peace treaty with Israel, believing its economy could make gains through tourism and closer business contacts with Israel. The latter have been growing, but direct foreign investment has been slow to enter Jordan.

Government asked for more details, or new pact may be threatened

IMF warns Kenya on power contracts

By Michael Holman

Kenya has been warned that two controversial contracts for power plants are threatening efforts to reach a new agreement with the International Monetary Fund.

Officials from both the Fund and the World Bank have asked the Kenyan government to provide more details about the contracts, which were awarded last year by the state-owned Kenya Power and Lighting Company. The awards were part of an emergency programme to end the frequent power cuts which are hitting industry and tourism.

IberAfrica of Spain was

awarded the contract to supply a diesel-fuelled 44MW unit for the Nairobi South power plant, while Sabah Shipyard of Indonesia will provide a barge-mounted 43MW unit for Mombasa.

Should the officials not be satisfied that the tender process was transparent, and that the successful bids were competitive, Kenya's enhanced structural adjustment facility, which is due to expire at the end of next month, is unlikely to be renewed.

The IMF has also expressed concern about the pace of the country's privatisation programme. A Fund mission is

due to visit Kenya early next month to review progress.

Failure to renew the agreement could have further far-reaching repercussions. World Bank officials have warned that without an IMF deal, the annual donors' meeting would be indefinitely delayed.

A consultative group meeting, which is chaired by the bank, and at which donors pledge aid, would normally have been held later this year.

With Kenya expected to hold presidential and parliamentary polls at the end of this year or early next year, a hold-up in the disbursement of aid would be a setback to President Daniel arap Moi's bid for re-election.

Kenya is also seeking assistance from donors to cope with the severe drought in the north of the country.

Bank and Fund officials acknowledge that Kenya has made considerable progress in implementing economic reforms, including trade liberalisation, lifting foreign exchange controls, cutting inflation, and reducing the budget deficit.

But there is continuing concern about government management, reinforced earlier this year when Mr Nicholas Biwott, former energy and industry minister, was appointed minister

in President Moi's office. Mr Biwott was minister in 1986, when the government commissioned French companies to build the Turkwell Gorge dam in northern Kenya.

The contract was not put out to tender, and angry donors refused to invest in Kenya's energy sector for the next decade.

The current IMF agreement is already in difficulties.

A Fund mission last December called for greater progress in the country's privatisation programme, and held back the second tranche of the \$216m facility, which had been due for release in October.

France's link man with Africa dies

By David Buchan in Paris

The grand old link man between Gaullism and French Africa, Mr Jacques Foccart, died yesterday in Paris at the age of 83.

With his behind-the-scenes service to three Gaullist presidents, Mr Foccart became famous as France's *Monsieur l'Afrique*, helping Paris through a network of personal relationships and intelligence contacts to maintain its influence in French-speaking countries long after they reached independence in the 1960s.

His death coincides with a crisis in France's African policy. This has been brought to a head by the rebellion sweeping across Zaïre as President Mobutu Sese Seko, with whom Mr Foccart had close ties, lies sick with cancer in a Monaco hospital, but includes a broader re-think of the wisdom of basing in several other African countries French troops who inevitably get sucked into internal conflicts.

A wartime Gaullist, Mr Foccart was brought in by President Charles de Gaulle as secretary general for African affairs at the Elysée in 1959 and stayed on in that capacity until President Georges Pompidou's death in 1974.

In these years he helped Paris negotiate defence agreements with its newly independent ex-colonies, and

it was rumoured that he kept in his drawer, undated and ready for use, drafts of African leaders' requests for French military intervention. In 1965, when France got another Gaullist leader, he briefly became an informal adviser to President Jacques Chirac on African policy before his final illness set in.

One lasting consequence of Mr Foccart's long presence at the Elysée is that France's African policy is still primarily made in the presidency and carried out by the co-operation ministry whose development role is mainly focused on Africa, with the foreign ministry at the Quai d'Orsay largely cut out of the policy loop.

Mr Jacques Godfrain, the current co-operation minister and a close associate of Mr Foccart, yesterday hailed Mr Foccart as an essential player in realising independence [for African countries] under the [French] Fifth Republic, who maintained relations of great confidence with numerous African leaders.

For years after 1974 a chat with Mr Foccart was a *passage obligée* for any French-speaking African leader visiting Paris. In latter years, however, Mr Foccart was said to have diverged increasingly from the official French line of democratic and economic reform, such as the 50 per cent devaluation in 1994 of the "CFA



Foccart: Monsieur l'Afrique

franc) currency used by much of French Africa.

At the time, Mr Chirac, influenced by Mr Foccart, opposed the devaluation move orchestrated by his Gaullist rival, Mr Edouard Balladur, then prime minister. But the Chirac administration has since conceded the currency change has helped revive the region's economy.

Mr Foccart recently described to Le Figaro his network in Africa as informal. "They could include former military, traders, priests," he said. "It is a network of friendships, acquaintances, of relations." He published a first volume of memoirs in 1995 which revealed little, except France's backing for the Biafran revolt in Nigeria in the late 1960s.

This was said to be in exchange for an oil concession promise to the Elf oil company. The extent to which this oil group was used - before it was privatised in 1993 - by French intelligence in Africa has been confirmed in a recent judicial investigation of a former head of Elf-Aquitaine.

Aid impact criticised

By Geoff Dyer in Rio de Janeiro

Governments around the world spend \$700bn-\$800bn a year on subsidies for economic development projects which will not be sustainable and which are undermining the environment.

These are the conclusions of a report issued by the Earth Council, an international environmental organisation created to spur implementation of Rio 92 Earth Summit commitments.

The study claims that the amount governments spend on unsustainable subsidies for the water, agriculture, energy and road transport industries is equivalent to the annual sum spent on arms. Wealthy countries belonging to the Organisation for Economic Co-operation and Development are responsible for two-thirds of the subsidies, the authors claim.

Mr André de Moor, an economist at the Institute for Research on Public

Expenditure in the Netherlands and the report's co-author, said that the reduction of these subsidies was a "litmus test" of the commitment of governments to meet the promises made at the Earth Summit.

The report was presented yesterday at the Rio-95 conference, which has brought together 500 delegates from industry, non-governmental organisations and UN agencies to look at ways of implementing the promises made at the Earth Summit.

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Chaebol fall sick on surfeit of debt

The financial problems of South Korean conglomerates may lead to industrial consolidation, reports John Burton

The collapse of one leading South Korean conglomerate may be a misfortune, but the bankruptcy of a second is a definite sign of carelessness.

The woes of the Sammi and Hanho groups, two of Korea's top 30 conglomerates, is a clear warning that the nation's corporate debt timebomb is finally exploding and posing a serious threat to the already ailing banking sector.

Korea's highly geared conglomerates, or chaebol, are finding it increasingly difficult to service their debts as their sales growth slows. "The situation is very scary," said one western banker in Seoul.

The rapid expansion of the chaebol during the past decade has left them with excess production capacity in cyclical industries and a mountain of corporate debt. ING Barings Securities estimates that leading Korean listed companies have the highest corporate net debt/equity ratio among Asian competitors at 151 per cent.

The Sammi steel group, which filed for court receivership yesterday, is a classic example of over-expansion as it built up production capacity at home, while entering the North American market by acquiring steel plants in the US and

Canada. But it had difficulty servicing its debts of Won1,900bn (\$2.2bn) in the face of persistent weak global prices for stainless steel products.

The Hanho steel and construction group collapsed in January under a debt burden of nearly \$6bn as it sought to build the world's sixth largest steel mill despite predictions that this would prove uneconomical.

The troubles are not only confined to the Korean steel industry. There are worries about the financial strength of the petrochemical and car industries among others. Analysts responded with concern when Ssangyong, the sixth largest chaebol, announced last week that it would try to shed 40 per cent of its heavily indebted car division to foreign investors. "It's a sign of desperation," said one analyst, who predicted that Ssangyong would have difficulty finding buyers for a company that threatened to "drag down the entire group" because of debts of more than Won3,000bn and total losses of Won500bn since 1992.

Sammi and Hanho have shown that investment and lending decisions have often been made without much cost-benefit and credit analysis in the belief that the government would bail out strag-

gling industries. "Korean industry was built on a large dose of optimism. But the Koreans are discovering that their can-do spirit sometimes can't do," said Mr Adrian Cowell with Dresner Kleinwort Benson in Seoul.

These financial problems were largely hidden during recent export booms, but became apparent when almost all of Korea's main industries - electronics, steel, petrochemicals, cars and ships - suffered a simultaneous cyclical drop in global demand last year and a fall in export prices.

The chaebol also faced higher foreign exchange losses on overseas debt as the Korean currency fell against the US dollar by 8.2 per cent last year due to the widening trade deficit.

The corporate results for 1996 were dismal. Sales for listed affiliates of the top 30 chaebol grew by 18.2 against 27.3 in 1995, while net earnings plunged by 90 per cent against a 81.5 per cent increase a year earlier, according to the Daishin economic research institute. In reality, the results were even worse since the chaebol were allowed to capitalise most of their foreign exchange losses instead of reporting them on their profit/loss statements.

The collapse of Hanho and now Sammi has added to the

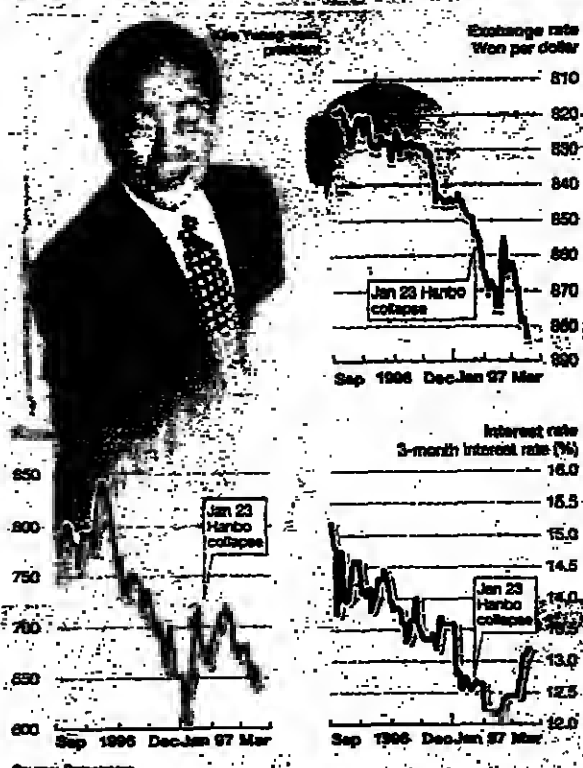
chaebol's troubles by increasing already high interest rates, which reached a 18-month high of 12.8 per cent yesterday. The prospects of a credit crunch have also grown as the banks become more cautious.

The six biggest and oldest banks have huge non-performing loans that amount to Won23,300bn, or a startling 14.3 per cent of total lending, according to a recent estimate by the presidential financial reform committee, which used US accounting standards.

Korean banks are now paying increased premiums in borrowing capital from foreign banks because of fears about their creditworthiness. Moreover, 58.5 per cent of Korea's total overseas debt of \$110bn is short-term loans of less than year, which accounts for 4.6 per cent of its GDP. The Samsung Economic Research Institute yesterday warned Korea was close to a financial crisis because of a slowdown in economic growth below 5 per cent, continued depreciation of the Korean currency, rising interest rates and a heavy dependence on short-term international loans.

Many analysts believe that the financial problems will lead to a consolidation in Korea's main industrial sec-

South Koreans on a debt mountain



tors. Mr Kang Kyung-shik, the new finance and economy minister, has indicated the government will allow uncompetitive companies to collapse or merge.

In an effort to encourage mergers and acquisitions, the government yesterday said it would not allow target companies of hostile takeover bids to issue convertible bonds to friendly

shareholders as a defence against corporate raiders. Mr Kang, who is expected to unveil a new economic reform package this week, has also hinted that Korea will accelerate the opening of its financial markets to foreign capital to ease high interest rates. If bold reform occurs the collapse of Sammi and Hanho could prove a blessing in disguise.

Burma imposes martial law in Mandalay

By Ted Bardacke in Bangkok

Burma's military government has imposed martial law and a night-time curfew in Mandalay, the country's second city, following a series of attacks on Moslems by Buddhist monks.

The government said the unrest was an attempt to derail Burma's expected entry later this year into the Association of South-east Asian Nations, which is seen by critics of Rangoon as strengthening legitimacy of the military regime.

Attacks by monks on Moslem mosques and neighbourhoods began last weekend, according to residents in Mandalay and diplomats in the capital, Rangoon. The attacks apparently began after reports reached several temples that a young Moslem girl, Gopee, had been assaulted by a Buddhist monk.

The government crackdown has included blocking main roads and closing the main market. More than 90 per cent of the population of Mandalay, Burma's cultural and religious centre, is Buddhist. Monks from Mandalay

have in the past spearheaded political protests, along with students and civil servants.

Monks played an important role in the democracy uprisings of 1988 and 1990 but have recently kept a low profile, with the government pursuing a policy of repression and of co-opting them.

A government spokesman said: "Some elements are exploiting the situation by trying to promote misunderstanding between the two religions."

"The main reason [is] to create unrest in the country by creating disturbances where and when opportunity arises, to create misunderstanding between Myanmar [Burma] and her Asian friends, especially with Indonesia, and Malaysia, both Islamic nations."

Malaysia and Indonesia are seen as the strongest backers of Burma's request to join Asean, expected to be formalised in July.

The disturbances are the second bout of unrest to hit Mandalay, its two main universities have been closed since student demonstrations swept Burma last December. Monks were often seen gathering near the demonstrators in both Mandalay and Rangoon.

Staff at Japan N-plant played golf during fire

By Gwen Robinson in Tokyo

Senior officials at a Japanese nuclear plant, where two fires and an explosion occurred on March 11 in the country's worst nuclear plant accident, played golf during and after the accident.

Workers in charge of fuel repairs at the nuclear fuel reprocessing plant in Tokaimura began a four-day golf tournament on the day of the accident. They continued playing the next day although it was clear that damage was more serious than initially thought.

Investigators' findings of official indifference and mismanagement of emergency procedures in the aftermath of the accident have provoked widespread criticism and are likely to heighten public opposition to the government's ambitious nuclear power programme.

Japan derives more than a third of its energy from 52 nuclear reactors, and plans to increase the number of nuclear plants into the next century.

Mr Toshiyuki Kondo, chief of the government's Power Reactor and Nuclear Fuel Development Corporation (Donen), apologised to a parliamentary committee on Tuesday after a committee member said it was "unbelievable that Donen employees would play golf at such a critical period of time".

A Donen spokesman, Mr Ryudichi Mukaibo, said the company had approved the golf tournament and that accidents "did not necessarily require workers at the plant, 70 miles northeast of

Tokyo, to suspend such activities.

One of the employees who participated in the tournament added that his group had thought "it would be wrong" to cancel the game on the day they had reserved the golf course.

Donen has repeatedly claimed the accident posed no serious bodily or environmental threat. But in the aftermath, daily disclosures of delays in handling the emergency and failures by nuclear officials to fully report the damage have been prominently displayed in Japanese media.

Donen's initial claim that radiation was limited to the facility in which the fires had occurred was found to be incorrect, and the organisation was forced to admit that radiation spread to neighbouring facilities and possibly beyond.

Thirty-seven employees at the plant were exposed to radiation. Nuclear experts said that the degree of the workers' exposure was not sufficient to pose immediate risk to their health - if Donen's data was correct - but warned that longer-term effects could not be ruled out.

The recent revelations follow disclosures of cover-ups and mismanagement of safety procedures by Donen in the massive leak of sodium coolant at an experimental fast-breeder reactor in northern Japan in December, 1995. An investigation of that accident and a review of nuclear policy led to the government's fresh endorsement in January of the country's nuclear programme.

China raises stakes in Vietnam oil row

By Jeremy Grant in Hanoi and Tony Walker in Beijing

China has raised the stakes in a simmering territorial dispute with Vietnam by moving an oil exploration vessel near the Vietnamese coast in the Gulf of Tonkin.

It is a provocative gesture which underlines Beijing's determination to exploit potentially oil and gas-rich deposits in disputed waters.

China's decision to risk Vietnam's ire - it is exploring just 65 nautical miles from the Vietnamese coast - indicates it is fairly confident the drilling area is prospective, and may rival the rich Yacheng deposit 50km to the east.

Yacheng, whose confirmed reserves stand at 3,400bn cu ft of gas, is in undisputed Chinese territorial waters. Operated by Atlantic Richfield (Arco) of the US, it supplies gas to Hong Kong and to nearby Taiwan Island.

In Hanoi, western officials and the Vietnamese themselves are perplexed as to why China has decided now

to boost their exploration presence in the Gulf of Tonkin, perhaps jeopardising steadily improving Sino-Vietnam relations.

One theory is that Beijing reckons it can afford to test Hanoi over the area, near the Paracel Islands, since it is a dispute which simply involves China and Vietnam, not other regional states.

China seems more cautious about searching for oil in the Spratly Islands group further south. The Spratlys are the subject of claims by a number of Association of South East Asian (Asean) states, including Vietnam.

"They will measure the strength of the response and that of the international and regional community and then they will take it further," a Vietnamese political analyst said. An Asean diplomat declared: "If the Chinese can make a move like this, they can make similar moves elsewhere."

The issue is difficult for Vietnam, which has made much of warning Sino-Vietnamese ties.

It is also keen to see nothing disrupts access through the Gulf of Tonkin to Haiphong port, the economic gateway to northern Vietnam and Hanoi, the capital.

"We will continue to protest to make clear the legal position to the international community. But we will try to avoid force, as any action could complicate the situation," Mr Tran Cong Truc, chairman of the Vietnamese government's Committee on Frontier Issues, said.

The Chinese rig, the Kan Tan 111, is operating in an area designated by Vietnam as Block 113. Oil industry officials say China has been drilling, penetrating further into disputed waters.

It now appears Beijing has decided to increase pressure and the Vietnamese, aware of Chinese activity in the area for some time, have chosen to react. Hanoi has lodged stiff protests largely ignored by Beijing.

"I think the Chinese really have pushed on the issue. As they've drilled closer and



closer, the tolerance level has fallen further and further," an US oil industry executive said.

Like China, which became a net importer of hydrocarbons in 1995, Vietnam's oil fields are becoming mature and it is under pressure to find new oil and gas deposits. PetroVietnam, the state petroleum company, plans to step up offshore exploration and is thought to be going to drill two wells in the area around Block 113.

Also, Conoco and Unocal of the US are understood to have proposed joint exploration with PetroVietnam in the area. Russian companies are also interested.

PNG premier offers olive branch

By Nikki Tait in Sydney and agencies

Papua New Guinea's prime minister, Sir Julius Chan, yesterday said his government would consider dropping a controversial plan to use mercenaries against secessionist rebels on Bougainville Island.

His statement followed an anti-government demonstration outside the main army barracks in the capital, Port Moresby - the first display of public support for Brigadier General Jerry Singirok, who was dismissed on Tuesday as head of PNG's armed forces. On Monday, Gen Singirok had called on Sir Julius to resign over his decision to call in mercenaries to help resolve

Bougainville island's eight-year guerrilla war - but found himself sacked instead.

Sir Julius's apparent attempt to deuse the tension came amid unconfirmed reports that PNG had already cancelled its contract with British-based Sandline International for hire of the mercenaries.

Meanwhile, Australia stepped up its diplomatic involvement in the crisis yesterday, with Mr John Howard, prime minister, sending Mr Philip Fries, head of the foreign affairs department, to Port Moresby as a "personal emissary". He was accompanied by two other senior officials.

The demonstration by several thou-

sand people outside the Murray Barracks yesterday morning, protesting at the sacking of Gen Singirok and calling for the resignations of Sir Julius and other senior ministers, was followed by looting as several hundred protesters ran amok in a nearby shopping area. Authorities fired tear gas to disperse the crowd. Soldiers remain confined to barracks.

Port Moresby was last night covered by a curfew. There were some suggestions that a larger rally would take place today.

Mr Howard told the federal parliament that he had spoken to Sir Julius and had warned against the use of mercenaries.

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IN THE MATTER OF THE COMPANIES ACT 1938

AND IN THE MATTER OF THE COMPANIES ACT 1913

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ASIA-PACIFIC NEWS DIGEST

Taiwan curbs China ventures

Taiwan yesterday warned it would clamp down on companies making "unauthorised" investments in China and promised to punish transgressors.

Taiwan's economics ministry said China projects must be approved by Taipei; government agencies would monitor suspected investors' fund flows, tax payments and "any illegal matters". The Securities and Exchange Commission vowed stricter screening of rights issues and stock market listings. However, the measures are unlikely to have a lasting impact, as many Taiwanese companies have established overseas entities and secretly route their China investments through such channels.

Taiwan bans direct investments in China, but some US\$30bn in authorised "indirect" investment has flowed into the mainland under a political thaw. Banking sector and big infrastructural investments such as steel and power plants are banned.

Laura Tyson, Taipei

Malaysia accepts apology

Malaysia yesterday accepted an apology from Mr Lee Kuan Yew, Singapore's senior minister, for his remarks that a southern Malaysian state was "notorious for shootings, muggings and car-jackings". But the acceptance stopped short of forgiveness.

"It should be acknowledged that this episode has deeply hurt Malaysians of all sections of society and that restoration of the old level of relationship would take time," a statement from Mr Abdullah Badawi, Malaysian foreign minister, said.

The acknowledgement of the apology is likely to reassure stock market investors and currency dealers in Singapore, some of whom have been uncertain as to how much damage to bilateral relations would be caused. It is unlikely the effect on relations will have any visible impact, economists said.

James Eynge, Kuala Lumpur

Ramos confirms Korean's stay

Philippine President Fidel Ramos yesterday confirmed for the first time his government was hosting the North Korean defector, Mr Hwang Jang-yup, "for as long as necessary and as short as possible".

"The decision... to assist in resolving the difficulties regarding Mr Hwang's continued stay in the South Korean embassy in Beijing was based on our desire to be of help to our neighbours in their need for third-country facilities and to ease the tension in the Korean peninsula," President Ramos said, declining to comment on Mr Hwang's whereabouts.

• The Philippines' balance of payments surplus for February jumped 181 per cent from a year ago to \$708m. The central bank is forecasting a balance of payments surplus of \$2.9bn for 1997.

Justin Marazzi, Manila

The Financial Times plans to publish a Survey on

Hong Kong & China

on Monday, June 2

The handover of Hong Kong to China will be one of the most closely watched world events of 1997. This survey will examine how Hong Kong will embark upon its new future, how China will handle the challenge of taking responsibility for 6 million capitalist citizens, and how it might the end of an empire for Britain.

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FT Surveys

Interim report finds that EU import rules discriminate against Latin American growers

WTO puts skids under banana regime

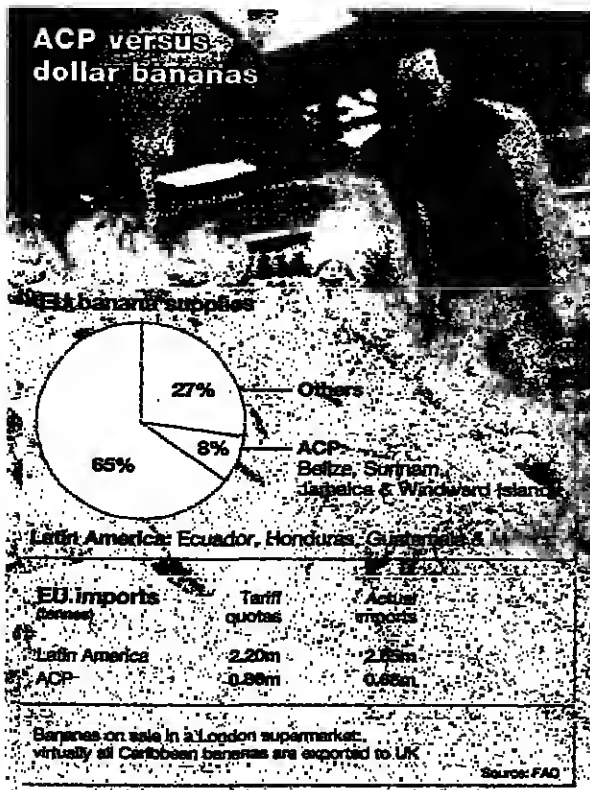
By Guy de Jonquieres and Maggie Urry

The European Union will need to modify its controversial banana import regime, which favours small Caribbean producer countries, if an interim report on the scheme by a World Trade Organisation dispute panel is adopted.

It emerged yesterday that the 400-page interim report broadly upholds a complaint by the US and four Latin American countries that the regime violates WTO rules by discriminating against their growers and marketing companies.

The Caribbean Banana Exporters' Association, which represents growers in Belize, Jamaica, Surinam and the Windward Islands, expressed alarm at the WTO panel's report, saying it could have devastating consequences for the countries' economies.

One trade diplomat said the report found "fundamental elements" of the regime inconsistent with WTO obligations. European Commission officials conceded the draft ruling called for changes in the regime, although they were unsure



how sweeping these would be.

The EU is expected to challenge some of the

report's facts and arguments next month, before the three-member dispute panel issues its final ruling. The

EU could then ask the WTO's appeals tribunal to review the ruling.

The EU says its preferential trade arrangements are essential to the welfare of Caribbean islands which depend heavily on banana exports. These are sold at prices much higher than rival fruit produced in Latin American countries.

Critics, who include EU members such as Germany, say the regime is unduly restrictive and distorts markets. World Bank studies have called the regime highly inefficient and urged the EU to replace it with more generous development aid.

The report is said to find two main aspects of the regime inconsistent with WTO rules. One is an arrangement which guarantees traditional importers of bananas from African, Caribbean and Pacific (ACP) countries 30 per cent of the total EU banana market.

One trade diplomat said abolition of the arrangement could lead traditional importers to spurn bananas from Caribbean producers and increase their purchases of cheaper fruit from Latin America.

The report also finds against an EU agreement with Colombia, Costa Rica, Nicaragua and Venezuela which effectively gives exporters in these countries higher prices than those enjoyed by other Latin American growers.

The WTO panel says that agreement should either be scrapped or extended to all countries which export bananas to the EU.

The report says the EU has acted unreasonably by setting import quotas for Caribbean producers at levels well above their maximum exports in the past. However, it does not explicitly condemn the practice as a violation of WTO rules.

The EU can take consolation from the fact that the report does not find against a two-year-old waiver which exempts the Lomé Convention - Brussels' main trade-and-aid instrument - from the full force of WTO rules.

The report also backs the EU's preferential tariffs on Caribbean banana exports.

The EU's banana regime has twice been condemned by disputes panels in the General Agreement on Tariffs and Trade. The EU blocked these findings but is

obliged to accept rulings by the WTO.

The EU's regime, which dates from 1993 and was extended in 1996, superseded its members' national arrangements for banana imports. Countries such as Germany, which previously had open markets, complain that the scheme discriminates against consumers.

However, the regime is fiercely defended by other EU members, including Britain which buys most of the 350,000 tonnes of bananas which Caribbean growers sell to the EU annually. Their exports account for about a per cent of the EU banana market.

Cannia James adds: Producers in the Windward Islands - Dominica, Grenada, St Lucia and St Vincent - would be particularly hard hit if the ruling was implemented.

The guaranteed EU market of 294,000 tonnes for the four islands accounts for 50 per cent of exports and 15 per cent of gross domestic product. Exports are less economically important, but still valuable, to Jamaica, Belize and Surinam, the regime's other main exporters to the EU.

Czechs agree gas deal with Norway

By Vincent Boland, Prague Correspondent

The Czech Republic agreed a long-term contract yesterday to import gas from Norway, achieving a key strategic aim of ending its dependence on supplies from Russia in spite of intense pressure from Moscow to extend its ties with Gazprom.

Under the deal Prague will buy up to 3bn cubic metres of Norwegian gas a year for 20 years to meet an expected surge in demand. Czechs now use about 9bn cubic metres a year, all from Russia, but this is expected to rise to 12bn cubic metres in the next few years.

The gas will be supplied by Statol, Saga Petroleum and Norsk Hydro, starting on May 1. A final contract is expected to be signed with Transgas, the Czech importer, after both governments formally approve the deal. Some 53bn cubic metres will be supplied over the period of the contract.

Mr Vladimir Dlouhy, the Czech industry minister,

said the Norwegian option, one of several the government studied, was the cheapest and met its goal of expanding the country's sources of energy supplies.

This is part of the government's strategy of weaning the country off its 50-year dependency on Russian energy. Last year the Czech Republic began importing Middle Eastern crude oil through the Ingolstadt pipeline from Germany. CEZ, the electricity utility, is completing a Russian-designed nuclear power station with Westinghouse of the US.

The Czech air force is also considering a western solution in the upgrading of its fighter aircraft, replacing Russian-built MiGs in preparation for an expected invitation this year to join Nato.

Gazprom will remain the dominant supplier of Czech gas needs but is likely to face further competition as Poland and Hungary seek additional suppliers. Statil executives said yesterday they would be bidding for those contracts.

Lobbies battle over EU duties on fabrics

By Jenny Luesby

Fabric makers and users around the world will today be waiting nervously as the European Union's anti-dumping committee decides on its most controversial action in years: on cotton fabrics.

The Commission has found producers in six countries - India, Pakistan, Indonesia, China, Egypt and Turkey - guilty of selling the fabric at knock-down prices in Europe.

It has already imposed hefty duties on a provisional basis. It now hopes to follow through with a formal five-year action.

But the case is riddled with anomalies. The action seeks to protect Europe's shrinking fabric weaving sector. It is the outcome of three applications: the first two failed. This has left its backer, Eurocotton, adept at presenting its case. Eurocotton says exporters maintained sales at quota levels by holding down prices as raw material costs soared. The Commission's findings support this claim.

However, a much larger group of European producers - involved in dyeing and printing fabrics or making them into home furnishings and clothing - claim the duties threaten their future.

The two lobbies have been competing with claim and counter-claim over how many jobs will be lost. As a result, when Brussels first recommended the action, nine of Europe's 15 member states said they would oppose it. This prompted the Commission to send out a supplementary round of questionnaires to

fabric users, but only 93 of 450 were deemed usable.

Thus, it remains anyone's guess who will suffer most.

Meanwhile, Europe is not the only source of opposition. Turkey is aggrieved that it should have been named at all. "It makes a nonsense of a customs union between Europe and Turkey to impose dumping duties on Turkish producers," said a Turkish representative.

And all the exporters contest the Commission's methods. Brussels used a mixture of pricing calculations in establishing dumping. Some excluded the highest prices charged in Europe and the lowest in the exporters' home markets.

The Commission is satisfied its reasons for doing this comply with World Trade Organisation rules. But its action highlights an added complication: the European version of the WTO agreement has dropped a sentence relating to the use of pricing calculations.

"This is more than risky. It is really very serious," says one trade expert. "Europe is not allowed just to cut elements from the agreement." On this basis alone, lawyers for the exporters believe they have grounds to contest the case.

European weavers have been losing sales, but the sales of the named exporters have been static. It is other exporters, not constrained by quotas, that have increased market share.

This argument reflects a widely voiced fear: that as Europe phases out textiles quotas under the Uruguay Round agreement, it will employ anti-dumping actions to extend or continue them.

US to charge for use of airspace

By Leyla Boulton in Washington

The US is to step into line with international practice by charging foreign aircraft for flying through its airspace, the Federal Aviation Administration said yesterday.

Aircraft which do not take off or land in the US do not pay for air traffic control services, although most other countries levy a fee on operators over-flying their territory.

The FAA expects to raise \$33m a year from the move, which is due to come into effect on May 19 after interested parties have had a chance to raise objections. The authority says flights affected would include those from Europe to Mexico and through large segments of airspace in the Pacific controlled by the US.

Mr John Rodgers, an FAA official, said that user fees would affect mainly commercial airlines, which would be charged \$78.90 per 100 nautical miles for over-flying US territory, compared with

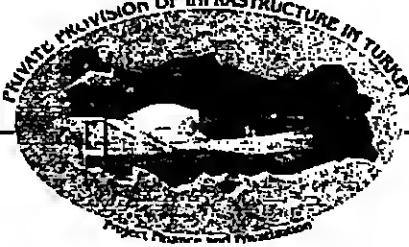
other aircraft which would pay \$4.38-\$15.78 per 100 nautical miles.

Mr Rodgers said the FAA spent an estimated \$90m providing air traffic control services for which it was not reimbursed.

Although the fees would cover these costs in the first year of the new system, Mr Mike Korens, an aviation consultant, said that more than half the money raised in subsequent years would help fund the government's Essential Air Service Programme.

The programme subsidises US airlines for operating otherwise unprofitable flights from remote locations to regional hubs, enabling farmers and other rural inhabitants to travel around the country.

Mr Korens said the new fees were not just "about fairness, because US carriers pay similar fees around the rest of the world, but a means of providing stable funding" for the domestic subsidy programme, which had suffered big budget cuts.



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H.E. Necmettin ERBAKAN, Prime Minister

KEYNOTE SPEAKERS

H.E. Fehim ADAK, Minister of State

H.E. Ufuk SÖYLEMEZ, Minister of State

Jean-François Richard, Vice President, World Bank

Private Sector Development Group, World Bank

Mr. Yavuz CANEVI, Chairman of YASED

AND OTHER SPEAKERS INCLUDING

H.E. Recai KUTAN, Minister of Energy and Natural Resources

H.E. Ömer BARUTÇU, Minister of Transportation

H.E. Cevat AYHAN, Minister of Public Works and Settlement

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H.E. Tansu ÇİLLER, Deputy Prime Minister

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NEWS: THE AMERICAS

Latin America's economic prospects are seen as rosy if reforms continue Eyes light up at doubling growth

Latin America's social problems are such that few would argue that the region does not need fast growth. But the forecast at the annual meeting in Barcelona of the Inter-American Development Bank that the region's growth rate could double from the average 3 per cent of the early 1990s raised some eyebrows.

The prediction, by Mr. Enrique Iglesias, IADB president, was slightly hedged. It depended on implementation of a new generation of reforms by governments that would allow the region's investment rate to rise from an average 21 per cent to 27 per cent of gross domestic product.

The 6 per cent growth rate implied by Mr. Iglesias's forecast is still some way ahead of expectations for growth in the next two years. According to the chief economist for Latin America at the World Bank, Mr. Guillermo Perry, average growth this year should be 4.3 per cent and next year 4.6 per cent, while the International Monetary Fund - factoring in a slight rise in US interest rates - is forecasting 4.5 per cent this year.

This growth, says Mr. Perry, will be reasonably even across the main economies; most are forecast to

grow at between 4 and 5 per cent. A growing body of economic research from the IADB and World Bank suggests the reforms taken by governments so far to open economies and give a greater role to the market helped increase growth in Latin America by some 2 percentage points a year in the early 1990s, overtaking the average world growth rate.

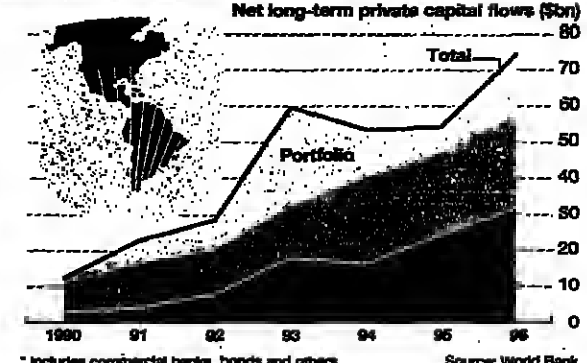
There is considerable agreement among the Washington institutions about what needs to be done next. Mr. Perry at the World Bank mentions five main themes:

- Fiscal strengthening. This is more than the budget adjustments of the 1990s and 1990s, but a more structural change in tax systems. A stronger fiscal stance keeps interest rates lower and "converts capital inflows into increases in investment and not consumption".
- More solid and efficient financial markets, avoiding the devastating banking collapses in the mid-1990s in some countries.
- Improving the coverage - but mainly the quality - of education and health.
- Improving the legal and regulatory environment.
- Increasing the effectiveness of the public sector.

Reforms to ease the many rigidities of Latin American labour markets were also



Enrique Iglesias, president Inter-American Development Bank



important but economic evidence suggested they had a limited effect on growth, he said. They would have, however, a favourable impact on the region's highly unequal income distribution by increasing the numbers in formal employment.

savings is usually negligible or negative because the government has to take on extra budget responsibilities to finance those in the defunct state system.

This means that the region continues for the foreseeable future to need access to external capital and therefore remains vulnerable to a significant tightening of international liquidity. However, while there are some expectations of a rise in US interest rates as soon as next week, few forecasters see a sharp rise in US interest rates as necessary.

Even if a rise in US short-term rates is greater than the 1 percentage point that is viewed as the likely maximum, a number of factors are likely to mitigate against another Latin American crisis.

In the first place, the economic positions of the countries are stronger: there are no outlandish current account deficits and governments have worked hard to reduce the amount of short-term debt they owe.

Neither is it evident that there exist the concentrations of risk among US or other institutions that built up in 1994 in Mexico.

In Brazil, which has the weakest budget and current account position, political risk is viewed to have fallen

significantly with likely passage of a constitutional amendment allowing President Fernando Henrique Cardoso to stand again. "I'm very confident about Brazil," said Mr. Jeved Burki, the World Bank's regional vice-president for Latin America and the Caribbean.

However, further economic reform cannot be taken for granted, as mid-term elections loom in Argentina and Mexico, the institutions say. Mr. Claudio Lora, director of the western hemisphere department of the IMF, said he has detected "reform fatigue" among the region's politicians. "I'm more and more convinced of the importance of investment in a social safety net and social infrastructure to make these reforms stick. We have had reforms that have been successful from an economic point of view, but there is no political support in increasingly democratic societies."

"Therefore, the risk remains that they could be reversed. The cost of such social measures to increase public support, he said, would "not be that high" and could be accomplished while maintaining the principles of sound economic management.

Stephen Fidler

US inflation stays subdued

By Gerard Baker
in Washington

Consumer price inflation in the US remained subdued last month in spite of continuing strong economic growth, the Labour Department reported yesterday.

Prices rose by a seasonally-adjusted 0.3 per cent in February from a month earlier, following a 0.1 per cent increase in January. Over the last year the consumer price index rose 3 per cent.

In the three months to February, prices rose at an annual rate of 2.5 per cent. But the bulk of that increase came from energy prices, especially petrol, gas and electricity. Excluding food and energy, the core index rose 0.2 per cent last month, and at an annual rate of just 2.2 per cent in the three months to February.

The figures provided further evidence of the unusually benign condition of the US economy. Next month the current expansion will enter its seventh year but in spite of the protracted nature of the upswing and an unemployment rate of just 5.2 per cent, there are few signs of the kind of rising inflation normally associated with such strong demand conditions. This weakness of price pressures

has been evident not only at the consumer price level but also in producer prices.

A number of explanations have been advanced. Strong improvements in manufacturing productivity, increasing global competition, and continuing worker insecurity about job prospects may all have contributed.

But in the last few months there has been a clear quickening of the pace of economic growth. In the last quarter of 1996, the economy grew at an annual rate of 3.8 per cent. That momentum seems to have been carried over into the first three months of 1997, when growth seems likely to have reached at least 3.5 per cent. That rate is not one that even the most optimistic economists believe to be sustainable without provoking an acceleration of inflation.

Next week the Federal Reserve's policy-making open market committee meets to determine whether or not to raise short-term interest rates. Though the continuing evidence of very weak price inflation will weigh heavily in its members' decision, they will clearly also be anxious to ensure that growth slows in the next few months. That may require a gentle tightening of monetary policy soon.

US coalition says 'cyberporn' law would end free speech

By Patti Waldmeir in Washington

The Internet Indecency law passed last year by the US Congress is unconstitutional because it would ban free speech in cyberspace, lawyers challenging the law argued yesterday before the Supreme Court.

The nine justices of the country's highest court yesterday heard arguments on the controversial "cyberporn" case, in which a broad coalition of online service providers, libraries, publishers and free speech advocates are challenging the constitutionality of the Communications Decency Act. The aim of the law

is to protect children from sexually explicit material by picturing indecent words and pictures on the Internet.

Legal experts say it is the most important free speech case in a quarter of a century, and will significantly affect not only the future of the Internet but the government's role in regulating twenty-first century forms of communication.

"The CDA bans speech. It won't be effective, and there are less restrictive alternatives that would be much more effective," Mr. Bruce Egan, advocate for the coalition challenging the law, told the court.

The Supreme Court ruled yesterday that the federal government can be sued for doing too much to protect some endangered species, writes Patti Waldmeir.

Environmental disputes across the country could be affected by the ruling, which shifts the balance of power toward property owners and away from environmental activists.

He argued that, because of the nature of the Internet, a law which makes it a crime to transmit sexually explicit material to children would have the effect of banning all such material for adults as well. "The CDA completely bans a vast amount of speech which is constitutionally protected for adults," he said, because it is either impossible or prohibitively costly to verify the

age of an Internet user. Under the law, anyone who places "indecent" material on the Internet - and thus within reach of children - would be liable to prosecution.

The Supreme Court over-ruled them.

The case involved a government decision to cut off irrigation water to farms in Oregon during a drought, to protect two species of fish. Property rights advocates were delighted. "It's terrific," said Ms. Nancy Marzullo of Defenders of Property Rights.

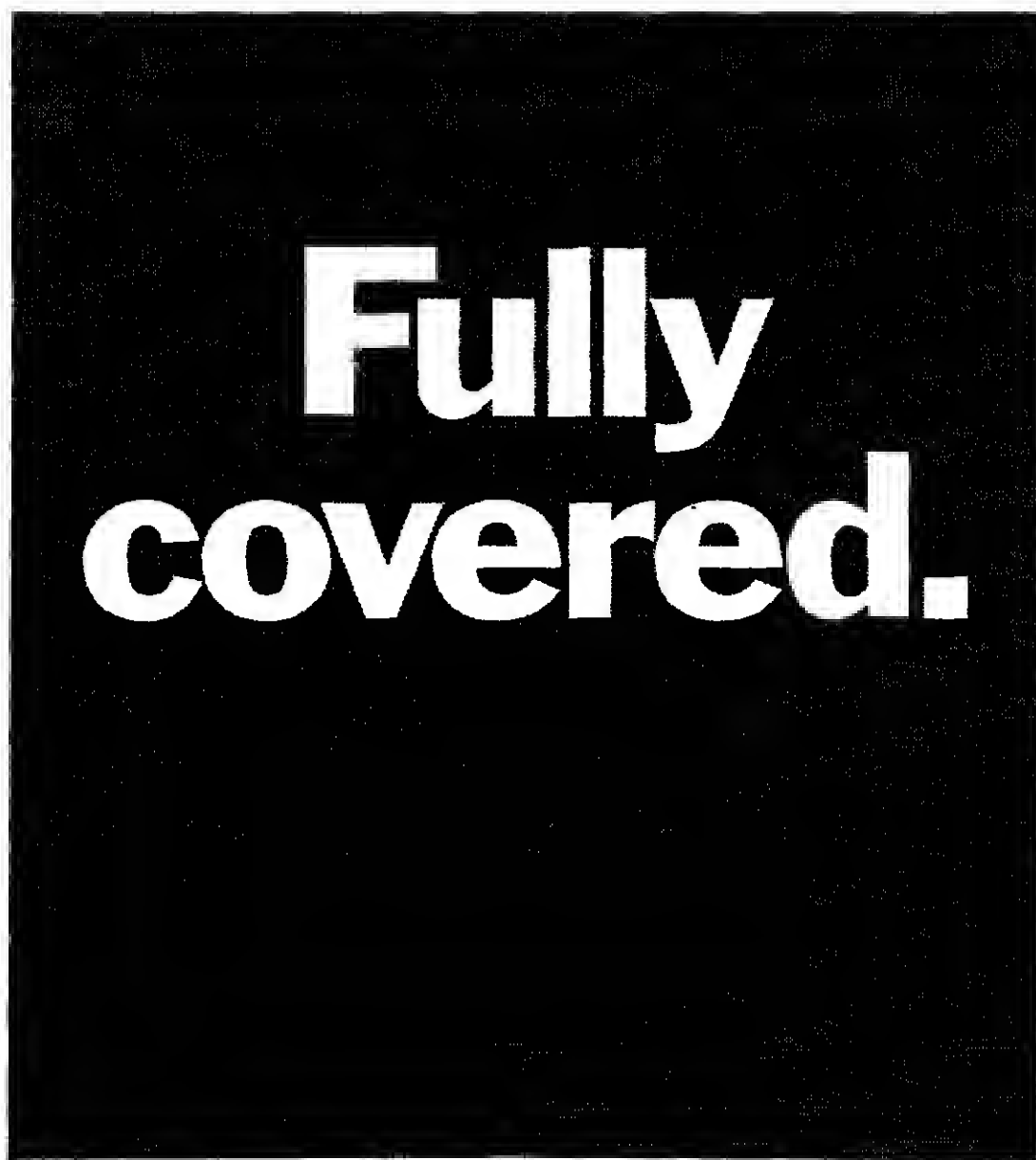
Yesterday the government's attorney, Mr. Seth Waxman, said the law was needed to protect children. "The Internet threatens to give every child with access to an interactive computer a free pass into the equivalent of every adult bookstore and video outlet in the country," he said.

The case will turn largely on the effectiveness of software technologies designed to filter Internet material for children. The crux of the issue, said Mr. Egan, is "what is possible and impossible in cyberspace".

The justices complained yesterday that this was a moving target. "Is it possible that this is

unconstitutional today, but will be constitutional two days from now?" asked Justice Antonin Scalia.

The free speech coalition argued yesterday that it would be prohibitively expensive for providers of material to "screen for age" - principally through the use of a credit card as verification - and that this would disadvantage many groups such as libraries which seek to put works of art involving nudity on the Internet. And the 40 per cent of material which originates from outside the US could not be controlled under the new law, they said.



On Monday, March 24 the Financial Times will publish a survey on the insurance industry.

It will analyse how cost cutting measures, in particular recent international mergers, may lead to a reduction in premiums. It will also take a look at the future for Lloyds and the London market, the effect of de-regulation in continental Europe and the eastward drive into the emerging markets. So for a fully comprehensive analysis of the insurance market, get the FT next Monday.

Financial Times,
World Business Newspaper.

Handgun fillip for LA police

By Christopher Parkes in Los Angeles

Los Angeles police, hopelessly out-gunned in a shoot-out with a pair of Hollywood bank robbers this month, are to be armed with more "knock-down" firepower.

The routine deployment of assault rifles, "make-my-day" .45-calibre handguns and shotgun ammunition the size of marbles has been approved by the city's police commission following a surge of public support for the beleaguered force.

"This is not an arms race," said Mr. Raymond Fisher, police commission president, as rank and file officers celebrated the ability to "put a guy down on the first hit."

The ineffectiveness of the LAPD's standard-issue 9mm pistols was demonstrated live on local television recently as a Hollywood residential area was turned into a war zone by two bank robbers armed with automatic rifles and protected by heavy body armour.

Seventeen police and bystanders were wounded as armour-piercing bullets tore through car barricades, walls and houses, while the answering fire had no apparent impact.

Police stressed the new official arsenal was not intended to kill more criminals, but to increase "stopping power" and reduce the number of shots needed to halt an armed or crazed suspect.

This, they said, would reduce the risk to innocent lives from stray bullets.

CORRECTION

Bahamas inflation

The 1996 inflation rate for the Bahamas quoted in the illustration on the front page of the Latin American Finance survey in the Financial Times on Friday, March 14 1997 was incorrect. It should have read 1.76 per cent for 1996, according to official government statistics.

Fresh drive to recycle derelict land in US

By Leyla Bouillon in Washington

The Environmental Protection Agency, backed by Democrats in Congress, yesterday launched a new effort to recycle derelict land across the US with a plan to exempt developers from responsibility for contamination by a site's previous owners.

A new bill, submitted to the House of Representatives by Mr. Richard Gephardt, leader of the Democratic minority, aims to circumvent a long-running dispute between Democrats and Republicans over how to reform the multi-billion-dollar contaminated land programme.

The 15-year Superfund programme, set up to collect money from companies deemed responsible for polluting land, has run into funding difficulties and multi-million dollar lawsuits from businesses affected by it.

The proposed new legislation would provide \$60m a year in federal seed money to encourage business to team up with local governments to clean up sites suffering from minor contamination. It would also protect entrepreneurs who agreed to acquire such derelict sites for redevelopment from any clean-up responsibility under Superfund.

Representative John Dingell, a Democrat from Michigan who is co-sponsoring the bill, estimated there were at least 3,000 derelict sites across the country covering tens of thousands of acres of land.

Ms. Carol Browner, the EPA chief who helped design the new bill, said "our goal is to encourage redevelopment by assuring potential developers... they will not be asked to clean up a problem they did not cause."

The bill was welcomed by local officials such as Mr. Dennis Archer, the Demo-

cratic mayor of Detroit, a city riddled with derelict sites. He said it took "positive steps toward encouraging prospective purchasers to give real and thoughtful consideration" to joining efforts to regenerate American cities.

The bill's co-sponsors urged the Republican majority to forget partisan differences over Superfund reform. In order to push through the more limited reform they are proposing, Ms. Browner said, communities afflicted by urban blight needed the new legislation now and "should not have to wait for completion of the much broader and more complex" Superfund reform.

Tax breaks proposed by President Bill Clinton for businesses which undertake to clean contaminated sites which they did not pollute have been held hostage to wrangles between the White House and Congress over how to balance the US budget.

Low turnout aids former rebels in El Salvador

By Johanna Tuckman

Only two out of every five eligible voters went to the polls in El Salvador's general elections on Sunday and many of them appear to have backed the left.

Preliminary results available yesterday showed the FMLN party of former rebels winning as many seats as the governing Arena party in the national assembly. Arena's 29 seats fell to 30 and the FMLN's rose from 14. The two parties both vowed to begin building alliances with smaller parties who gained the remaining seats in the 84-member assembly.

International observers noted minor irregularities but pronounced the elections free and fair.

Three months ago Arena thought it would win these elections easily.

"Now they face losing the presidential race in 1999

[when President Armando Calderon Sol's term ends]," said Mr. Rafael Guido Bejar, a political analyst from the Central American University in San Salvador.

Mr. Bejar said the only way Arena could regain credibility with the electorate was by increasing spending on health, education, housing and jobs.

The government's fiscal policy will also come under pressure if the FMLN fulfils its electoral promise to push for a reduction of VAT from its current level of 13 per cent. VAT, increased from 10 per cent in 1995, is blamed for a punishing rise in the cost of living over the last year.

The FMLN is also committed to challenging Arena's privatisation programme. This would involve forcing a revision of the existing law that sets the framework for the sale of the state telephone monopoly Antel and influencing similar legisla-

tion planned for the electricity sector later this year.

The original March target date for the sale of 61 per cent of Antel to two foreign investors has already been postponed to May.

Further delays are now likely.

"We do not want to stop the whole thing," said FMLN spokesman Mr. Hugo Martinez, "just modify certain articles of the law."

Meanwhile, local analysts expect some high-profile heads in the government to roll including Mr. Enrique Hinds, treasury minister. Some of Arena's policies have upset important industrialists and the agricultural sector, said Mr. Bejar. The election fallout could mean plans to reduce import tariffs on finished goods will be put on hold in order not to further antagonise his local businesses who have long operated under a protective umbrella.

FINANCIAL TIMES SURVEY

Thursday March 20 1997

EXECUTIVE EDUCATION

The successful management of change is now as important for business educators as students. Della Bradshaw explains why

New challenges in a brave new world

In the US these days there is a new breed of employee in the human resources department. He or she has only one task to decide which management schools the company should work with.

This employee visits schools, sits in on courses and then publishes an in-house consumer guide, usually on the company's internal electronic messaging system or intranet - in much the same way as other employees publish information about health insurance or company cars.

The development reflects the three big trends in executive education.

First is the enormous proliferation in the number of programmes: increased choice from business schools, consultancies and individual training companies makes selection a minefield.

Second, after years of downsizing, is a return to training as a means of bolstering remaining staff and gaining a competitive edge. (Business schools are booming: Wharton, in the US, expects 10,000 participants on its executive courses this year; IMD, in Switzerland expects 3,500; and London Business School will welcome a further 3,000.)

Third, is a change in the way companies perceive the role of schools. Organisations today do not want to buy off-the-shelf courses, any more than they want to buy off-the-shelf computer systems. They are looking for long-term partnerships with their suppliers.

Such new credibility is not without its challenges for business educators: because companies now take them more seriously, schools are

being faced with more sophisticated demands. "Increasingly, the segment is more about how to help organisations understand what they're going to do for the next 10 years. Before, they knew what they wanted and we helped them put that in place," says Mr Colin Carroll, director of programmes at Henley Management College in the UK.

This means that business schools are often treading a fine line between education and consultancy. To differentiate themselves from consultants - although the distinction is frequently blurred - they are spending more of their budgets on research and are disseminating the data through forums or sponsored seminars.

It also means organisations have an increasingly complex selection process. "Companies tend to choose a number of business schools around the world, say eight of them, and then they choose the programmes each can offer to fit their internal needs," says Mr Sylvain Daudel, marketing and key account director for executive education public programmes at Insead in Fontainebleau.

Moreover, companies are opting for a mix of open and company-specific programmes and are looking for different business schools for different organisational levels - one to run courses for middle managers, say, and another to handle board members. Others, again, could be chosen for their master of business administration (MBA) or executive MBA programmes. And business schools are increasingly being asked to deliver joint courses.

In the UK, the Institute of Directors has taken an instrumental role in the design of a course for those joining company boards. It is taught by three schools: Ashridge Management College, Henley Management College and Manchester Business School.

Companies, too, are developing their own partnerships, creating the demand for courses across sectoral and regional groupings. The University of Michigan Business School, for example, has set up an Asia-Pacific Human Resource Partnership, where 30 companies - including traditional rivals such as GE, Philips and Samsung - meet for seminars and research briefings on human resource issues in the area.

The proliferation of courses and course types, and the increase in the number of suppliers, have meant that it is often difficult to distinguish where the future of executive education lies. "Lots of things are happening, but we have difficulty deciding which are important and which we can ignore," says Mr James Pulcrano, director of marketing for executive programmes at IMD, the Lausanne-based executive education specialists.

However, some trends are clear-cut. Demand is increasing for all types of courses but particularly strongly for company-specific programmes, at more than 30 per cent a year.

Company-specific courses tend to be the specialty of the smaller, more innovative business schools and individual trainers - the more traditional, larger schools, especially in the US, are still



masters of the open course.

Alongside this, organisations are looking for ways to evaluate how successful courses have been and many are working with business schools to measure the increased effectiveness of employees. Much of this work centres around a full assessment of employees before they attend a course and tailoring the material to their precise needs.

Top executives are not only more willing to take courses themselves but are also increasingly involved in determining how their managers are taught and by whom. Just as companies are becoming more discrim-

inating in their choice of training organisations, so too, however, are employees. With the "job for life" no longer the norm - if it ever was - the issue for employees is life-long employability and the need for portable skills and qualifications.

According to Mr Alison McGrath Peirce, one of the directors for executive education at Wharton, this need has altered the way business schools view the courses they provide. "In the past, one would have thought of a corporate model. But with the shift in control we are now thinking more of an individual model," she says. As the market for execu-

tive courses becomes increasingly international there are also language issues that need to be addressed. Many of Europe's local schools, which teach in Italian, Spanish or Greek, rather than English, are finding it increasingly difficult to attract managers who aspire to perform an international role in their organisation. The preference of these managers is to study alongside English-speaking peers who come from a range of national backgrounds.

One of the biggest dilemmas facing business schools, however, is how best to exploit the trend towards "on-site" management edu-

cation. Management digests and reviews have traditionally been the most effective route but these days technology is inevitably playing its part. Harvard Business School, for example, is one of several using CD-Rom technology to deliver management training.

Videoc conferencing is proving a popular conduit for sending information further afield, particularly to the lower echelons of management. And top executives, runs the perceived wisdom, thrive on face-to-face contact with their peers.

Although technology can be used to reduce the time employees spend away from

their companies, the trend of recent years towards ever shorter courses seems to have petered out. The heavy-weight advanced management courses still stand at 10 to 12 weeks, although schools such as IMD allow managers to study in two five-week chunks.

"You can only reduce the amount of time so much," says Mr Pulcrano. "One Californian company told us the maximum length for a course should be three days and should never be at the end of a quarter. But you have to question how long a company can go on renewing itself if it doesn't have executive education."

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NEWS: UK

Rise in sterling prompts US company's adjustment to level in rest of EU

Merck cuts price of Aids drug

By Daniel Green in London

Merck, the biggest US drugs company, is to cut the UK price of its recently launched Aids drug Crixivan by 9 per cent to bring it into line with the price in other European Union countries.

This unusual step is being taken against a background of widespread parallel importing in which drugs are bought in countries where prices are low and shipped to high-priced northern European countries. This parallel trade would be easier under a single European currency because cur-

rency translation costs would be eliminated.

The pharmaceutical industry is campaigning against the parallel trade that has resulted from the lack of drug price harmonisation across Europe. The provisions of the single European market make this trade difficult to prevent.

Mr Per Wold Olsen, Merck's president of human health for Europe, said: "This price adjustment reflects our continued faith in the single market for pharmaceuticals in Europe and the likely introduction of a single European cur-

rency within a few years." Last year Merck announced that Crixivan would be sold at a single price across the EU.

The price cut has been prompted by the rise in sterling since then which has made Crixivan more expensive in the UK than elsewhere.

Drug prices are usually set at the time of launch in agreement with government officials. That leaves drug companies vulnerable to currency fluctuations after prices have been set. Last year, Merck said it would try to sell Crixivan at

a uniform 9.64 Euros a day. The company claims to have achieved this in "most" European countries.

The drug is one of a class of new medicines called protease inhibitors that work well when given as part of a cocktail of older drugs. They have been credited with reducing demand for beds in Aids clinics.

The UK has one of the most liberal drug-pricing regimes in Europe. Companies can set prices provided their overall profits conform to a return on capital formula negotiated with the health ministry. Mr Olsen

conceded that the relatively free pricing environment in the UK made it easier to adjust prices.

He said he would seek to renegotiate prices in other countries if their currencies moved sharply. European drug pricing is a hotchpotch of different regulatory systems. Governments set prices for each drug in France, but for each class of drug in Germany.

Many countries have separate mechanisms for negotiating how the national health service pays drugs companies. In the UK, such payment is automatic.

Royalties agreed on works of classic authors

By Alice Rawsthorn in London

Penguin Books has agreed terms to pay royalties on books by several classic authors, including Virginia Woolf and W.B. Yeats, whose work has come back into copyright after changes in European legislation.

The agreement follows months of negotiations between Penguin and other literary publishers with the estates of the authors affected.

Work has traditionally remained in copyright in the UK for 50 years after an author's death, compelling publishers to pay royalties in that time. A European Union directive has extended the copyright period to 70 years after death from 1 January 1996 onwards.

This brought books by any authors who died between 1925 and 1945 back into copyright. Their estates asked publishers to negotiate fresh terms of payment.

Penguin, a subsidiary of Financial Times owner Pearson, is believed to have concluded an agreement. Ms Margaret Bluman, contracts director, said it has finalised terms with several literary estates, including those of Woolf, Yeats, Rudyard Kipling, John Buchan and Arthur Conan Doyle, the creator of Sherlock Holmes.

She said Penguin's standard terms were to pay a royalty of 10 per cent on the wholesale price of every book sold. It will offer the same terms to the estates of other classic authors, including James Joyce and Thomas Hardy, whose work has returned to copyright.

Mr David Campbell, managing director of The Everyman Library, which publishes hardback literary classics, said it had "reached the basis of an agreement" with several estates.

Mr Marcus Clapham, editorial director of Wordsworth, said it planned to carry on publishing its existing cheap paperback editions of Woolf, Joyce and Hardy without paying royalties "until it's tested in the courts".

However Wordsworth has abandoned plans for new editions which would be liable for royalties, such as H.G. Wells' *The Time Machine*.

National parliaments should be given a stronger role in vetting the European Union's initiatives as part of the current overhaul of its structures, Mr Malcolm Rifkind, the British foreign secretary, urged last night, Gordon Cramb in The Hague writes.

In his latest speech in Europe about the EU, Mr Rifkind said: "Whenever we accept supranational institutions and procedures we accept a trade-off, weakening the democratic link in return for the benefits of co-operation."

He said the intergovernmental conference on closer union should ensure that national assemblies are empowered to scrutinise proposals from Brussels so that decision-making happens closest to those affected.

He rejected suggestions that his intervention had come too late: "It amounts to saying Europe's course has been set and we must get on with it. But our continent's future is too important for that."

which seeks to reform Europe's institutions and decision-making ahead of enlargement.

Like most IGC representatives, Mr Barnier is too shrewd to expect a sea change in policy in the event of a Labour victory in Britain. But he shares the general feeling that the mood will shift toward compromise after the imminent British election. "Labour is keeping itself very well informed on the negotiations, and we are giving them all the information they want from our side. Their approach is quite European."

Lionel Barber

Hosts wary of minister's EU message

Timing has cost Britain's foreign secretary sympathy

Mr Malcolm Rifkind, the foreign secretary, took his brand of "soap-box diplomacy" to the Netherlands yesterday, delivering the last of four speeches on the future of Europe.

Reaction to Mr Rifkind's call for a public debate on the limits of European integration - coupled with a longer-term partnership between European nation states - has been respectful, but tepid.

Mr Rifkind made the biggest waves in Germany, where a young reporter drew an infelicitous comparison between the sincerely held, mildly Eurosceptic views of "the Jew Rifkind" and Martin Luther hammering his heretical theses on the door of Wittenberg Castle church in 1517.

While the foreign secretary has won grudging respect for his willingness to preach before foreign audiences, sympathy has been tempered by the suspicion that the souls he really intends to convert are British editorial writers and British voters. Few failed to notice the timing of Mr Rifkind's venture into Europe, a few weeks ahead of the UK general election which will take place on May 8.

As Mr Michel Barnier, dep-

nty French foreign minister, said in a recent Reuter interview: "I don't want to interfere in the British election campaign even if I note that Mr Rifkind came to conduct that campaign outside the United Kingdom from France."

William Pfaff, the Paris-based American commentator, was more supportive in the International Herald Tribune. Writing from London, he declared that Mr Rifkind was right to question the democratic legitimacy of EU institutions and the failure to win popular support.

"There is a sense that the Maastricht agenda is not the right one. The primordial political reality remains the nation state... Europe's elites (who favour a full union) have yet to answer this objection."

But a German diplomat said that the foreign secretary's speeches revealed the deep ideological divide between Britain and Germany on the future of Europe, whatever the willingness of both governments to pursue practical co-operation in trade and foreign policy.

Mr Rifkind wants to know what the final goal of European integration will be. But we Germans see this as an historical process



Malcolm Rifkind: defending national parliaments in EU

where no one knows what the conclusion will be."

As foreign secretary since mid 1995, Mr Rifkind has had a bumpy ride in Europe. Often he has been forced to negotiate with his EU partners knowing that the mood back home has turned more hostile toward the prospect of deeper political and economic integration, particularly regarding economic and monetary union.

Yet Mr Rifkind has been a lot more willing to fraternise with the Tory Eurosceptics than his urbane predecessor Mr Douglas Hurd.

Some suspect that he may be positioning himself for a leadership challenge in the event that Mr John Major

loses the election. During last year's heifer war, EU diplomats reported that Mr Rifkind seemed to take a perverse pleasure in pursuing the policy of non-cooperation - until he woke up to the damage being done to British interests.

By contrast, Mr Kenneth Clarke, the chancellor of the exchequer, left no doubt from the outset that he considered the blocking tactics to be a trusted ally.

The final word about Mr Rifkind's foray into Europe belongs to Mr Barnier who has often expressed irritation with the British government's dogged defence of the status quo in the EU's intergovernmental conference

Cost of tackling 'systems bomb' may exceed \$5bn, says Labour

By George Parker, Political Correspondent

A Labour government might inherit a bill of at least \$3bn (\$4.8bn) to stop the public sector's computers collapsing on the first day of the new millennium, Mr Geoff Hoon, the party's shadow technology minister, warned yesterday.

Mr Hoon said the Conservative government had done virtually nothing to prepare for the problem known as "millennium meltdown", where computers cannot cope with the 2000 deadline.

He warned that the cost to the public purse could be more than \$3bn because of a shortage of computer engineers over the next three years.

"Programmers will also be heavily involved in preparing systems for economic and monetary union [Emu] at exactly the same time, whether the UK is involved in the first wave or not," he

said. "We foresee a very considerable budgetary deficit for the UK - then needs to be a degree of urgency which this government has not yet displayed."

The Labour party believes the government has deferred spending on the problem, calculating that the burden could be passed on to a new administration. Mr Hoon told an information technol-

ogy seminar organised by Cap Gemini, the computer services company, that the government had talked a lot about the "millennium time bomb" but had done little to tackle the problem.

Mr Ian Taylor, technology minister, told the meeting the government was ahead of its European counterparts in addressing the problem, but admitted: "With hindsight, we might have started earlier. There will be an over-demand for computer programmers, and that will have an inflationary effect, but there is no point in me saying that 2000 and Emu won't happen."

Mr Taylor has been praised by many in the computer industry for raising awareness of the problems which will arise on January 1, 2000. Many computers are unable to recognise a year ending with two noughts and will crash.

Other European governments and some ministers within the UK government have not shared Mr Taylor's enthusiasm. UK government departments have been required to complete audits of their systems by October and Mr Taylor said he was determined to finish a programme of corrective work by December 1998. "The century date change has serious financial and business implications," he said.

logical survey of this proposed Sellafield dumping site for Nirex immediately before submission of the planning application.

He believes it is likely that a 1980 British Geological Survey into 12 potential dump sites, mainly located near existing nuclear installations, was a starting point for the company when it was considering possible locations for the dump.

He has seen the 1980 report and thinks Nirex will find its options rather limited: "Geologically, Dounreay is similar to Sellafield," he said.

He thinks East Anglia far more suitable from a geological point of view. "There are shallow coverings of sediment at the sur-

More artists to issue bonds, firm predicts

By Edward Luce in London

Bonds issued by artists, musicians and others in the "intellectual property" business will become increasingly common, says a report today from Arthur Andersen, the accountancy firm.

As the economy moves from traditional manufacturing towards the production of less tangible goods such as biotechnology, software programming, script writing and brand imaging, companies will have to find new ways of raising capital, it says.

One of the most cost-effective is to "securitise" their intellectual assets or to issue debt backed by future earnings from their intellectual property assets.

David Bowie, the British rock musician, recently pointed the way with a \$55m

"Bowie bond" in the US. The 10-year bond, which will pay an annual coupon of 7.9 per cent to investors, will be serviced by the income stream from the rock star's music copyright portfolio.

The report says there will be no limit to what can be packaged in debt form once the financial markets become accustomed to intellectual securitisation. Examples include Calvin Klein, the US fashion designer, which recently took a \$38m securitised loan backed by the royalty payments from its perfume sales.

But the authors warn that it can be difficult for companies to evaluate accurately assets such as brand names or intellectual licences. Accounting bodies are trying to establish a standard measurement.

UK NEWS DIGEST

Stock Exchange reform urged

A committee of the House of Commons will today demand fundamental reform in the way the London Stock Exchange is run, demanding it should no longer be owned by member companies and move to a public offering. In its second attack in 18 months on the way the exchange is run, the all-party Treasury committee will argue that the exchange cannot reflect the interests of its members or of the public as long as it is mostly run by brokerage companies.

One MP argued last night that the exchange had been "dragged kicking and screaming" towards its recent introduction of order-driven trading, and that the report called for that reform drive to be entrenched. "The stock exchange has been run for the short term interests of marketmakers rather than the maximum benefit of the London market as a whole," an MP said.

At the time of "Big Bang" in 1986, the exchange moved from ownership by individual members to individual member companies. Ownership is shared by some 318 such companies, the vast majority of which are market makers and not investment managers. *James Blair*

UNEMPLOYMENT

Total is lowest since 1990

The number of people out of work dropped last month to its lowest level since October 1990. Official figures showed unemployment in February falling by 63,300 - the third largest monthly fall ever recorded - to a seasonally adjusted 1.746m. The Office of National Statistics said Britain's official unemployment rate fell from 6.5 per cent in January to 6.3 per cent last month.

But financial markets took fright at yesterday's labour market statistics because they signal a sharply tightening labour market. Average earnings increased by an annual underlying rate of 5 per cent in January, up from 4.75 per cent in December. The December figure was revised upwards by 0.5 percentage points.

Mr John Major, the prime minister, said the figures were "proof that Britain is booming". Mr Tony Blair, the main opposition Labour party leader, said they gave a false impression.

Mr Eddie George, governor of the Bank of England, the UK central bank, renewed his call for a quarter point rise in base rates from a current level of 6 per cent during his February monetary meeting with Mr Kenneth Clarke, the chancellor of the exchequer. *Wolfgang Mischau*

VEHICLE MANUFACTURE

Truck sales elude forecast upturn

February showed no sign of this year's predicted upturn in the new truck market after nearly 30 months of decline. Figures from the Society of Motor Manufacturers and Traders, the industry's trade body, show that registrations of new trucks - commercial vehicles of more than 3.5 tonnes - fell by 18.3 per cent, year on year.

Registrations Jan-Feb 97

Vehicle	Jan	Feb	Jan	Feb
Trucks over 3.5 tonnes	1,815	1,543	1,815	1,543
Trucks 3.5-7.5 tonnes	1,200	1,000	1,200	1,000
Trucks 7.5-11.5 tonnes	1,000	800	1,000	800
Trucks 11.5-15.5 tonnes	800	600	800	600
Trucks 15.5-20 tonnes	600	400	600	400
Trucks 20-25 tonnes	400	200	400	200
Trucks 25-30 tonnes	200	100	200	100
Trucks 30-35 tonnes	100	50	100	50
Trucks 35-40 tonnes	50	25	50	25
Trucks 40-45 tonnes	25	10	25	10
Trucks 45-50 tonnes	10	5	10	5
Trucks 50-55 tonnes	5	2	5	2
Trucks 55-60 tonnes	2	1	2	1
Trucks 60-65 tonnes	1	0	1	0
Trucks 65-70 tonnes	0	0	0	0
Trucks 70-75 tonnes	0	0	0	0
Trucks 75-80 tonnes	0	0	0	0
Trucks 80-85 tonnes	0	0	0	0
Trucks 85-90 tonnes	0	0	0	0
Trucks 90-95 tonnes	0	0	0	0
Trucks 95-100 tonnes	0	0	0	0

Source: Society of Motor Manufacturers and Traders (SMMT)

This brought the total for the first two months of the year to 5,515 - a fall of 26.5 per cent on the year-ago period's 7,510. The continuing sales slide is attributed partly to the knock-on effects of stricter exhaust emission standards going into effect. Overall, commercial vehicle registrations last month totalled 19,825, a 6.4 per cent drop on last February. Imports continued to take a growing share, accounting for 51 per cent - up from 50 per cent in February last year. *John Griffiths*

PAYMENT CARDS

Visa holders spend 25% more

The plastic card continued to gain ground in the UK last year as Visa cardholders increased spending by 25 per cent to £76.1bn (£120bn). Although the UK is already one of the most fully developed payment card markets in Europe, the arrival of debit cards and electronic authorisation has allowed plastic to replace cheques and cash in more transactions.

The UK is Visa's largest market in Europe, with 40m cards accounting for 39 per cent of all Visa cards issued in the region. Visa debit cards were used almost twice as often as credit cards last year, but for smaller average amounts.

Debit cards were used for more than 1bn transactions worth £22.5bn, compared with 670m credit card transactions worth £23.6bn. In Europe as a whole, the number of Visa cards rose by 14 per cent to more than 100m, spending rose to \$341bn. *George Graham*

GOVERNMENT BONDS

Warning to private investors

Private investors could soon find it harder to buy and sell UK government bonds, or gilts, Apdms, the private client stockbrokers' trade body, warned yesterday. Apdms is concerned that the new gilts settlement system being introduced by the Bank of England in August will "mean a number of firms will have to offer a worse level of service to private investors (dealing in gilts) than they do now".

It claims that investors selling gilts may have to wait up to 25 days to gain payment compared with a maximum five-day wait for about 80 per cent of deals at present. The new system could also push up dealing costs. Private investors account for most of the 5,000 or so gilt deals done each day, although they account for only a relatively small slice of the deals' total value. *Jean Eaglesham*

SECURITIES AND FUTURES

Firm agrees to cease business

Phillip Alexander Securities and Futures, a private client broking firm, has agreed with the Securities and Futures Authority that it will stop carrying out investment business after being placed in administration. The move follows intervention by the SFA two years ago when the firm was found to have conducted business introduced by brokers outside Britain in an unsatisfactory way, including charging excessive commission. *John Gapper*

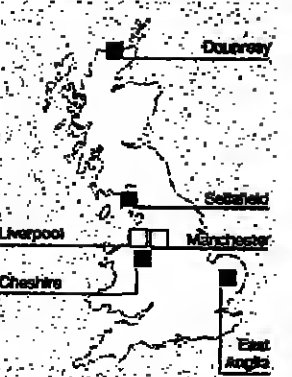
Scientist says nuclear waste options are limited

By Michael Peel in London

Nirex, the nuclear waste disposal company, faces a difficult task in its quest to build a new dump for intermediate level nuclear waste, according to a leading academic. On Monday, the company lost its appeal to build a new facility at Sellafield in north-west England.

The planning application rejected by Mr John Gummer, chief environment minister, was for an underground laboratory to test the suitability of the area as the site for a dump. Nirex needed the evidence that would have been provided by the laboratory to make a case for planning permission for the dump. The company must also

Hunt for a dump



answer Mr Gummer's questions about whether it had acquired sufficient scientific knowledge before submitting its planning proposal. "We will be discussing the results with our shareholders

before deciding on our next steps," said Nirex.

The company, set up by the nuclear industry in 1982 to dispose of low and intermediate level waste, initially considered 12 possible sites for the dump. The final decision was between Sellafield and Dounreay in the north of Scotland. The other locations have remained secret.

The search for a new site may be made more difficult because the areas best suited geologically are often too populous to be viable options, according to Professor David Smythe at the geophysics department of Glasgow University, a geophysics specialist who worked for Nirex.

Prof Smythe was contracted to carry out a geo-

logical survey of this proposed Sellafield dumping site for Nirex immediately before submission of the planning application.

He believes it is likely that a 1980 British Geological Survey into 12 potential dump sites, mainly located near existing nuclear installations, was a starting point for the company when it was considering possible locations for the dump.

He has seen the 1980 report and thinks Nirex will find its options rather limited: "Geologically, Dounreay is similar to Sellafield," he said.

There are salt mines in Cheshire owned by ICI," said Professor Smythe. "This was considered at one stage but was ruled out because they

were too near population centres like Manchester."

Dr Patrick Green, senior nuclear campaigner for Friends of the Earth, the environmental pressure group, thinks scientific understanding in the area of waste dumping must advance considerably before any proposal is reconsidered.

"Disposal is off the agenda for at least 35 to 40 years," he said. "Both the Royal Society's and our evidence has said that there is at least 10 years worth of generic science that needs doing."

He favours alternative measures to deal with the "mountain" of reactive waste in Britain. "We need to look at interim management operations," he said.

Handwritten signature: John Gummer

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EXECUTIVE EDUCATION III



Splendid isolation? The facade of London Business School, which runs a consortium for five UK companies and believes that "peer exchange" is essential for the senior manager

CONSORTIA • by Della Bradshaw

Today Paris, tomorrow the world

Participants in consortia increasingly come from diverse regional bases

There are few business school fashions in which European schools lead their North American counterparts. But one is consortium programmes. From London to Paris and beyond consortium programmes are being promoted as a formula that combines the best elements of both customised and open courses. Like open enrolment courses, they bring together executives from different companies, promoting peer-to-peer learning; like tailored programmes, they suit the specific needs of the companies involved.

The common interest in a consortium can be a management topic, such as developing potential leaders,

or an industry sector. Insead in Fontainebleau, for example, runs one consortium programme for a dozen European banks and another for insurance companies.

This combination of peer-to-peer learning and issues of critical relevance to the company makes consortium programmes particularly appropriate to senior managers, says Mr Paul Geroski at London Business School. "The more senior you get, the more you need peer exchange," he argues.

Mr Geroski designed an executive development programme at London Business School for a consortium of five companies: Marks & Spencer, British Airways, BT, Lloyds Bank and Vauxhall Motors. M&S was the initiator of the course, which focuses on management development for individuals who have spent their whole career with one company.

Their much-trumpeted virtues should not, however,

obscure the fact that consortium courses can be problematic. According to Ms Liz Bridge, client manager at Cranfield University School of Management, the initial difficulty is finding a group of like-minded companies. She says that when Midland Bank and Royal Insurance were setting up a group that Cranfield runs for nine UK-based companies they talked to some 50 organisations and numerous business schools.

Once the consortium was set up and the course designed, however, the programme developed a momentum of its own. "At the end of the day it's about the quality of the relationship you form," says Ms Bridge.

According to Ms Robbie Friendship, business development manager at Henley Management College, commitment from the top management in the company is the other crucial factor.

This is particularly relevant to programmes that

include site visits. Members of the M&S consortium, for example, must visit each other's companies. "The site visit really has to work," says Mr Geroski. "High-level support is essential."

The LBS scheme comprises five companies that each take part in the five modules. The Cranfield programme, on the other hand, caters for nine companies that participate in different elements of the course as required. Ms Bridge believes other companies could be added to the nine and that there is scope for further flexibility.

Two recent developments in the consortium approach are international consortium programmes - LBS, for example, runs an international programme for six companies including BT, Lufthansa and ABB - and the transfer of the concept to the MBA market.

The International Masters Programme in Management

(IMPM), masterminded by the Canadian veteran management thinker Henry Mintzberg, is intended to bridge the gap between traditional executive MBAs and in-house courses. The taught element of Mintzberg's course comprises five modules of two or three weeks each on one of five different campuses - Lancaster in the UK, McGill in Canada, Insead in France, the Indian Institute of Management in Bangalore and Hitotsubashi University in Japan.

IMPM is marketed to individual companies - such as Alcan, Bombardier, BT and the Royal Bank of Canada - which then send a handful of students on the programme.

Henley has been running consortia MBAs since the late 1980s. Forty-three companies have participated and about 24 take part regularly, each sending between five and eight people.

The University of Michigan Business School is one

of the first US business schools to move into consortium programmes. Its programme is in Hong Kong, where managers working in the region for companies such as Cathay Pacific and Hewlett Packard can combine study on campus with distance learning.

At Manchester Business School, too, a course that began life as a company-specific MBA is now evolving into a consortium venture. In its first year, the course was run exclusively for IBM in the UK. "We suggested at a very early stage that they would get more value if they had IBM customers on the course as well," says Mr Syd Howell, director of studies for the modular MBA.

The first non-IBM participants will be from NatWest Bank but the aim is to have 50 per cent of participants from outside the company. The medium-term goal, says Mr Howell, is to make the programme international.

Catering for action manager

Courses without direct practical relevance alienate many chief executives

When Mr Amin Rajan, a business consultant who runs the Centre for Research in Employment and Technology in Europe (CREATE) interviewed some of the UK's most prominent business leaders recently, he discovered a widespread mistrust of academic disciplines. The chief executive of one insurance group declared: "I've never been on a management education course. And I'm proud of it."

Mr Rajan found that many of the business leaders had scant regard for off-the-job courses. In his report, Leading People, he quoted an investment banker who said: "Books and courses rarely get inside the heads of high fliers. They need face-to-face learning encounters with immediate feedback."

A banking chief executive believed: "Traditional management development programmes cannot produce leaders. They present new concepts and raise awareness. That helps. But they cannot provide the 'soft' skills which are the raw material of leadership."

In response to such observations business schools are increasingly tailoring courses for top executives to specific organisational and individual needs. Sometimes the tailoring is so fine as to be personal tuition. Coutts Consulting Group specialises in one-to-one customised coaching for chief executives. "We discovered that at that level there is a growing demand for coaching that is geared to the needs of the executive. They want it customised and they want it work related," says Mr John O'Brien, director of executive development.

The coaching sessions are confidential and held away from the office. "It is very difficult to express vulnerability in front of contemporaries or subordinates," says Mr O'Brien.

The changing needs of management have also led to a rethink about the content and structure of top management courses in the established business schools. Lodon Business School has been running its senior executive programme for more than 30 years. In that time, the course has evolved into a forum where senior executives exchange ideas. The course work is designed to act as a catalyst for thinking and discussion, using various models and projects.

A similar approach has been adopted by Cranfield School of Management. Mr Murray Steele, Cranfield's head of strategic management, runs week-long courses for chief executives. These focus on practical exercises that give the executives something tangible to take back to the office.

"Our work is focusing more and more on the individuals and their organisations, setting aside scheduled time where people can apply what they have learned to their own organisations," says Mr Steele.

He adds that chief executives value the opportunity to stand back and look at the businesses. "It's like coming up for air. It allows them to escape the day-to-day pressures and paperwork. In some ways it is self-administered consultancy," he says.

At Cranfield, the executives use business topics such as managing change, strategy and leadership, to prepare presentations that they can give to their organisations on their return. By the end of the week they are expected to have collected four or five presentations to put to their board.

"They go away with a clear action plan that identifies the problems and what needs to be done," says Mr Steele.

This is not to say, of course, that business schools have abandoned theoretical studies. Rather that they have refined them for a changing world. Wharton has developed its Directors' Institute, a particularly dynamic simulation exercise that it describes as a "living case study" programme. The programme puts participants on the board of Megamicro, a fictitious multinational manufacturing and servicing company.

The two-day course simulates at an accelerated pace the issues and events that a board will face in a business cycle.

Richard Donkin

EXECUTIVE MBAs • by Victoria Griffith

An e-mail from America

Thanks to new media, the top US schools can now 'export' their courses

American business schools have long perceived a strong demand for their executive MBA programmes overseas. Now, technology such as the Internet and video-conferencing is allowing them to go after the market in earnest.

By hooking up students and professors through e-mail, "chat rooms" and video links, US business schools are creating virtual programmes to allow MBA students to pursue a degree largely from home. That suits their employers, who want to keep them at work through their studies.

The multimedia explosion of the 1990s has driven the launch of a number of international programmes. Duke University's Fuqua School of Business welcomed its first class of "global executive MBAs" last May. In a daring move, Dartmouth's Amos Tuck School allied with the Hanoi School of Business in Vietnam to offer an executive MBA last year. The University of Chicago started a Barcelona-based degree in

1994, and the University of Michigan's international MBA programme is in its fifth year. Northwestern's Kellogg School has just begun a joint venture with Germany's Koblenz School.

Executive MBA programmes appeal strongly to companies wanting to provide extensive business training to promising middle-level managers while keeping them at work - at least part-time. Before the multimedia revolution, pure logistics prevented many overseas managers from pursuing a US degree.

"It's only with e-mail and teleconferencing that we can bridge the gaps to our next physical meeting," says Mr Edward Snyder, assistant dean at the University of Michigan's business school.

The Fuqua School relies heavily on the Internet, sponsoring a password-protected site on the Web, where students can download assignments, exchange ideas in a "chat room" and review professors' lecture notes. The University of Michigan says it prefers video conferencing as a vehicle for lecturing and classroom discussion, but makes extensive use of e-mail.

However, organisers of the

programmes say technology cannot completely replace face-to-face contact. "There's a lot that you just don't get from long-distance contact," says Mr Robert Hamada, dean of the University of Chicago's MBA programme. "Professors in an actual classroom can sense when students are engaged, lost, frustrated or bored. You miss that when you're not eyeball-to-eyeball."

Students may also miss the different perspectives that colleagues from different countries and industries can bring.

For that reason, most of the US schools require some physical togetherness. The University of Chicago gets everyone together in Barcelona for two-week stretches every couple months. The Fuqua programme meets in five different centres during a 19-month period: students fly to São Paulo, Brazil; Salzburg, Austria; Hong Kong; Shanghai, China; and Duke's campus in Durham, North Carolina. The programme is designed to expose students to a wide variety of cultures. The experience usually lasts less than two weeks but attempts to make up in breadth what it lacks in depth.

This kind of learning

clearly demands a lot of organisation. American business schools say putting together effective programmes is not always easy. Sometimes the technology simply doesn't work. Exotic locations may have limited telecommunications and cable facilities. Other times, faculty and students are inexperienced with the media and have trouble using them. Distance can make it difficult to spot trouble early on, moreover. If students are falling to keep up with the coursework, the problem may not be detected until quite a late stage.

One of the biggest challenges, say the schools, is gaining the necessary time commitment from degree candidates and their employers. "US corporations seem to have a little better understanding than foreign corporations about the amount of time involved," says Mr Richard Popovle, dean of executive education for the University of Rochester, which runs programmes in Holland and Switzerland. "That's probably because we've been doing this longer in the US. It's hard to get the point across that this is not just something you fit into your lunch hour."

Most US schools say stu-



Home-page work: students can download projects from Web sites

dents should be prepared to put in 20 to 30 hours of study each week.

Despite the challenges, global MBAs are lucrative for the US business schools. Participation is not cheap. Fuqua's executive MBA programme costs about \$82,000, for instance - not including air travel to the five sites. Yet foreign companies seem willing to pay the high

prices. "There are some strong business schools in Europe, but in Asia, South America and Africa, we have the impression there is a real need for US-style management instruction," says Mr Snyder of the University of Michigan's business school.

"The latest technology is now letting us fulfil that demand."

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II EXECUTIVE EDUCATION

CUSTOMISED COURSES • by Victoria Griffith

Short, sharp and specific

Why tailor-made training now appeals to more business schools and companies

When top executives at the hotel chain Hyatt decided they needed a little extra management training a few years ago, the company opted for an increasingly popular approach: it asked Kellogg, the business school of Northwestern University in Chicago, to devise a two-week bespoke programme.

Kellogg created a course in marketing, finance and strategy to help the group's managers through a big expansion drive. "Sending them to courses at places like Stanford and Harvard in dribs and drabs would take too long," Ms Wendy Strachan, head of human resources at Hyatt, explains. "We needed a big, immediate impact, and I think we got it."

Kellogg trained 60 Hyatt executives - 30 last year and 30 in February. Corporate demand for tailored courses is growing, and established business schools are overcoming their distaste for them to cash in on what is an increasingly lucrative market.

"Kellogg got in this business early on, but a lot of business schools didn't like the idea," says Mr Kenneth Bardach, associate dean of Kellogg. "They thought it made for fuzzy lines, turning academic institutions into consultants. Now, there's so much demand, and it's so profitable, everyone is getting into it."

Virtually all the top-tier US business schools and a good many of the second-tier schools now offer such pro-

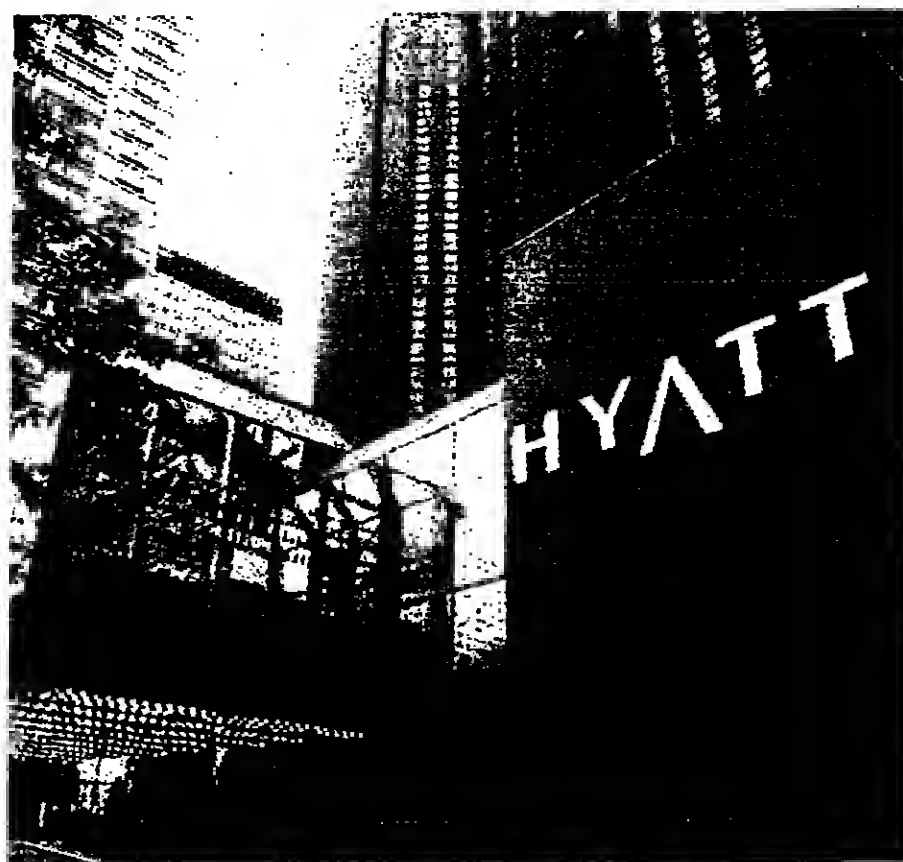
grammes. Boston College runs courses for the computer group Lotus Corporation. MIT has set up a programme for pharmaceuticals group Johnson & Johnson, and Kellogg now runs tailored courses for about 25 corporations a year, including the oil group Mobil, the French bank Societe Generale and the accountants Ernst & Young. Columbia University's business school has put together programmes for the accountants Deloitte & Touche and the Bahrain Institute of Banking and Finance.

Business schools say they now see the programmes as having non-financial benefits as well. "It gives our professors hands-on experience in coaching executives," says Ms Carol Dressler, head of executive programmes at Stanford. "And that keeps them in touch with corporate educational needs."

Some reticence remains, however. Harvard Business School, while admitting it runs a few customised programmes a year, declined to discuss them.

Whatever the attitude of some academics, demand seems likely to grow. Like Hyatt, most corporations opt for a customised course because they feel it will make a larger and more immediate impact on the organisation. "It's a critical mass issue," says Ms Marie Elter, who runs the programmes for the Amos Tuck School, Dartmouth's business school. "If you can put 30 senior managers on the same wave length, you've really got something."

Tailored courses focus on specific needs. Johnson & Johnson, for instance, paired up with the MIT's Sloan School of management to



Warm reception: the Hyatt hotel chain is convinced of the virtues of the bespoke course

create a programme for its top information systems personnel. In a five-day session, MIT professors stimulate managers to think of ways to cut costs and development times for information technology. The programme uses case studies to look at how other organisations have handled similar challenges and discussion follows on how to apply the principles to Johnson & Johnson. The five-day programme, dubbed the Information Management Institute, has been used to train more than 500 managers over the past two years.

While most corporations want managers to come up with specific solutions for company problems during the courses, professors may need to steer clear of too particular and prescriptive an approach.

"When you're trying to give managers a fresh view, you need to take them out of their box, get them to look at something completely different," says Ms Dressler.

Ms Strachan of Hyatt agrees. "The first year, we looked at hotel industry examples and everyone got so bogged down in their own experience that they couldn't see the point the professor was trying to make."

This year, the Hyatt course was organised differently, using case studies from other industries. One of the most useful for Hyatt, according to Ms Strachan, was the example of People's Express, a US airline that foundered when its operational sophistication failed to keep pace with its expansion.

Tailored sessions offer other advantages. Unlike open enrolment courses, which are usually held over the summer, they can be scheduled for the time that suits the company best. Managers can opt to speed up the pace to minimise time away from the office, often attending classes late into the evening and at weekends. This makes location an

important issue. While most managers say too many distractions make it unwise to run courses at company headquarters, they prefer the convenience of sites relatively close to home base.

The need for secrecy is another factor behind the popularity of the tailored sessions. Contact with executives from other industries may enrich an open enrolment experience, but it may also inhibit frank discussion about problems and applications.

For lots of people, however, it is the ability to attack a subject of immediate relevance and to do so in a short space of time that appeals most.

"Open enrolment courses offer reward over the longer term of an executive's career," says Mr Arnold Trillet, who organises the information management sessions for Johnson & Johnson. "But for a big impact over a very short time period, you can't beat the tailored courses."

OPEN ENROLMENT • by Della Bradshaw

Public courses enjoy renaissance

The global market means managers are again turning to generalist programmes

A few years ago everyone was shaking their heads sadly about open enrolment short courses. Companies, it was said, no longer wanted to send their executives on generalist programmes that may or may not be relevant to the company's day-to-day problems. In the leaner, messier 1990s what was really needed was customised courses, which targeted specific issues and helped companies cope with downsizing, delaying and all the other fashions of the day.

These days, open enrolment courses are enjoying a renaissance. While the demand for company-specific programmes is growing phenomenally quickly it is from a relatively low starting point. For the top 20 business schools that provide executive education worldwide, public programmes count for about 70 per cent of revenues. And the demand for such courses, having bottomed out a few years ago, is now slowly on the increase.

At Wharton, Ms Alison McGrath Peirce, one of the directors for executive education, says the number attending open enrolment courses is expected to grow by 15-20 per cent this year.

It is difficult to determine why there has been such a change of heart. One theory is that after so much organisational trauma during the recession, companies now recognise that they have to look outwards, even internationally, to take their businesses forward.

"What provides the thrust for the growth is that companies are confronted with a global marketplace. Even locally-based companies are

noticing this," says Mr William Pietersen, associate dean at Columbia Business School in New York.

One of the biggest advantages of the longer general management courses - such as the Ampe (advanced management programmes) run at Harvard, Stanford or Wharton in the US or Oxford in the UK - is that the participants are from around the world. At Wharton, for example, 70 per cent are from outside the US.

Such advanced management programmes are typically 10 or 12 weeks in length, undermining another recent theory that most



Harvard: its generalist courses offer multicultural perspectives

executives are only prepared to attend courses that last two or three days.

Mr Richard Ormerod, director of executive short course programmes at Warwick Business School in the UK, says that a further reason for growth in open courses is that companies now realise that, having slashed away layers of management, they have to motivate the staff that are left.

Mr Sylvain Daudel, marketing and key account director for executive education public programmes at Insead, in Fontainebleau, concurs: "A number of companies are now beginning to believe what they have written in their annual reports over the past few years - that they need to invest in their people."

Mr Daudel also believes there is internal demand for training from employees and that commercial pressures are forcing the investment. "Competition is increasing from fierce to extremely severe," he says.

Another factor promoting the growth in open enrolment courses, says Mr Daudel, is that they are becoming more relevant to what companies need. Courses in negotiation techniques, mergers and acquisitions and deregulation are proving particularly popular internationally.

The need for greater relevance is also being met by changes in course structure. At Columbia, for example, "action learning" - the latest buzz-phrase - means that students are expected to bring a specific problem from their company into the classroom and leave the course with a clear action plan.

The University of Michigan business school has introduced a course in the management of critical issues that treads a similar path.

Wharton has introduced an element of mass-customisation on its courses. Sixty per cent of its mergers and acquisitions course, for example, is compulsory for all participants but the remaining 40 per cent is made up of a series of options chosen by students.

According to Mr Pietersen, the end product has to be one that brings tangible results. "Organisations are looking for redeemable results. It's no longer good enough to go along because it's a nice environment," he says. "Those days are gone."

A similar urgency is expressed by Mr James Pulcrano, director of marketing for executive programmes at IMD in Lausanne. "If executives are coming in for 10 weeks we can't waste five minutes," he says.

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EXECUTIVE EDUCATION V

INTERACTIVE LEARNING • by Victoria Griffith



John Cleese has endured as the star of such videos as The Unorganised Manager, but is now part of a much wider repertoire

And now for something a little bit different...

Training aids have come a long way from the 1970s off-the-shelf video

Ever since audiences laughed at the antics of British actor John Cleese in his early 1970s management videos, off-the-shelf products have been an integral part of many corporations' training programmes. But that is all changing as demand grows for tailor-made, solution-oriented training.

Multimedia is giving management-product companies new tools to meet the training challenge and interactive compact discs are expected to be the fastest growing slice of the market. Already, sophisticated management simulations are available that allow players to be chairman or president for a day, in charge of imaginary companies.

Video Arts, producer of the Cleese videos, presents compact discs in a course-like format, taking players through lessons on subjects such as dealing with customers, looking at balance

sheets, and obtaining favourable job reviews. "Players" are invited to answer questions by clicking on a choice of responses. The disc then explains why the answers are right or wrong.

"There's a really big future in the interactive compact disc market," says Ms Ann Boland, general manager of Video Arts. "They're becoming more and more sophisticated, with video segments and great audio, and they're offering a truly rich experience."

The big attraction of compact discs for staff is that they are extremely engaging. For makers, they offer the huge advantage of being easily adapted to suit a company's specific needs.

Microworld, which produces compact disc training courses, recently took an off-the-shelf case study on the now-defunct People's Express Airlines and rewrote it for the Venezuelan oil group Petroleos de Venezuela (PV).

The People's Express compact disc describes the crisis the airline faced when its numbers of trained personnel failed to keep up with rapid expansion. Mr David

Kreutzer, chief executive of Microworld, explains: "The guys at PV said 'Hey that's the same problem we're having'. I had to change a few variables - passenger miles became barrels of oil and airline attendants became oil workers, but it wasn't like starting from scratch."

The ability to customise existing products may be a boon to an industry that has been struggling to find a balance between producing generic material and meeting companies' specific demands.

"There is some market for off-the-shelf stuff, but mostly, companies want videos that are specifically relevant to them," says Mr Louis Quest, head of training and development for PDI, a management video producer. "The new multimedia technology may make our lives easier by allowing us to splice various clips into different scenarios."

While multimedia will probably help off-the-shelf producers carve their niche in executive training, corporations say they will continue to rely primarily on programmes created in-house or tailor-made for

them by consultants.

Mr Terrence McGuinness, manager of training for the fund manager Scudder, Stevens and Clark, says: "We use commercially available products sparingly in our training courses, and when we do use them, it's usually a small part, put into the context of a larger course."

"We may do an off-the-shelf simulation, or see a video, but then we'd spend a long time in a classroom-like situation talking about how it relates to our company, to the issues facing us specifically. After all, our corporate culture, our needs and challenges, are unique, and can't be addressed by a one-size-fits-all programme."

Despite tough market conditions, training managers say the supply of off-the-shelf products does not seem to be slowing. "We are so inundated with stuff, we wouldn't possibly have the time to review it all on our own," says Mr Jerry Abarbanel, head of training for the State Street Bank in Boston. "We have to rely on critiques of products in the trade press, and we have built up a relationship with a few reliable producers."

The language of learning

What are the words and phrases that dominate today's business-school world? Della Bradshaw plays Dr Johnson

ACCREDITATION of business schools is one of Europe's hottest topics. The good news is that EFMD, the European Foundation for Management Development, in Brussels, has recently set up a European accreditation process. The bad news is that there is only the capacity to accredit 15 schools in the next two years.

BRICKER'S GUIDE and **BusinessWeek** in the US are the executive education bibles for those searching for the appropriate course. In Europe, the Economist Intelligence Unit has produced a similar directory.

CORPORATE UNIVERSITIES could prove powerful rivals to the traditional university business schools. Leading the field is the Arthur D. Little school of management in Boston, which recently teamed up with Boston College's Carroll school of management.

DRAMA and drawing, it seems, can both be catalysts in helping executives to release their pent-up emotions, especially when their organisations are undergoing traumatic change. Donning a clown's hat, argue the proponents of such techniques, can help managers come to terms with their changing roles.

ETHICS and entrepreneurship are the two hot topics on the executive education agenda. Both are creeping into courses.

FACILITATORS are the most fashionable of faculty. They are the agents who bring together top executives and steer debate.

GLOBAL is the one word that appears on virtually every short course programme.

HARVARD still runs the flagship of all executive courses, the Harvard Advanced Management Programme. When it comes to portable qualifications, this is the one to have.

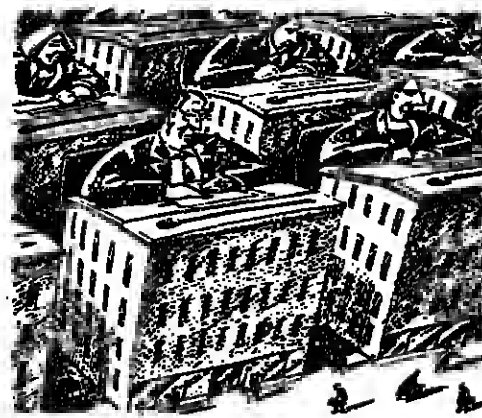
INTERNET technology is creeping into all executive education courses, for delivering course material or simply for

sending messages to colleagues.

JARGON abounds in the world of executive training. From "action learning" to "360 degree feedback"...the list goes on.

KNOWLEDGE BASE is increasingly being used as a selling point for courses, hence the investment in research now being proposed by Insead, in France, and London Business School, in the UK.

LIFELONG LEARNING is the big challenge for all business schools. As companies realise their employees repeatedly need to update their techniques, business schools are being regarded as long-term suppliers.



MID-LIFE CRISES are now the subject of a short management course at Harvard. "Odyssey" has been designed for Harvard graduates who are facing big decisions in their careers - particularly whether they should change course completely.

NETWORKING has been, is, and always will be, one of the big selling points of open enrolment programmes.

OVERSEAS COURSES are becoming increasingly available as business schools export their programmes.

PERSONAL TRAINERS are turning out to be many an executive's best friend. Like Hollywood superstars, executives are turning to them to help them practise in private.

QUALIFICATIONS are rarely the result of executive courses, although some award diplomas. The exception is the executive MBA.

REFRESHER COURSES for those with an MBA are proving a successful way for managers to update themselves on the latest management techniques. Popular in the US, they have been launched in the UK by Warwick.

SIMULATION on computers is becoming an integral part of management training, both within companies and business schools. The most popular programmes enable students to play "what if" games with fictitious companies - eg. "If I were head of x company and did y, what would the consequence be?"

TEACHING STANDARDS in business schools are again under scrutiny. London Business School has recently been given £250,000 by the Higher Education Funding Council in England to improve teaching among its faculty and to make the research available to other UK institutions.

UNIVERSITIES in the UK are increasingly moving into the business school market, in spite of the high number of institutions already offering management courses. At least one incentive is the need to make money as funding from public sources is cut.

VOUCHERS could soon prove useful when shopping for management courses. Future MBA students at the Sloan School of Management at MIT in Cambridge, Massachusetts, will be given a list of vouchers on graduation that can later be exchanged for short courses.

WOMEN are still in a minority on management training courses - as they are on the faculty of business schools.

XMAS is never a good time to run executive courses, but for some - such as retail executives who rely heavily on Christmas trade to make a profit - it is catastrophic. For this reason, stores groups, such as Kingfisher in the UK, are turning to specially-structured courses to help their managers increase profits.

YARDSTICKS and benchmarking are increasingly being cited by companies as reasons for joining open enrolment or consortium courses.

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Lack of feedback

Continued from page 4

many people feel they can speak frankly and openly with their manager about their performance? How many managers find the time to think effectively about their role in someone else's development? Even with the best intentions, there is often not the time or continuity of relationship to help individuals... progress."

It adds: "Managers are often eager to get relevant, honest feedback about how they work, as it is so difficult to get it inside their organisations. When managed well, a programme cre-

ates an environment in which individuals both learn from and stretch each other, and serve as models for other approaches."

The Cranfield team believes it is essential that courses equip managers with the self-awareness to confront the obstacles that they may encounter on their return. This presents a new challenge for management development, they say: "It is far more difficult, yet essential, to accompany and guide individuals in the development of their meta-abilities than it is to present thinking or teach specific techniques to a group of managers."

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IV EXECUTIVE EDUCATION

MANAGING MORE THAN MONEY • by Victoria Griffith

The high value of low profits

Why charities and the public sector now form important parts of MBA programmes

At Dartmouth's Amos Tuck School of Management, 42 per cent of students signed up last year for a course in how to run non-profit making organisations. Harvard Business School (HBS) now requires students to complete a non-for-profit section before graduation.

One of Wharton's most popular courses is entitled "Management of the Cultural and Performing Arts". Yale's business school offers a special degree in non-for-profits. Since most top-tier MBA programmes estimate that less than 10 per cent of their students will actually work for a non-for-profit organisation, why is interest so keen? The answer, say academics and managers, is the growing link between charities and the public sector and private enterprises.

Once content to hand over large sums to pet causes, executives today are demanding more control. Company managers sit on the boards of non-for-profits and encourage their own workers to be volunteers. They may even tie their products to specific charities: American Express, for instance, runs a programme that donates a few cents on every dollar charged to the hunger relief group, Share Our Strength.

MBA graduates can now expect to have close contact with a charity at some point in their careers. According to a study by Professor James Austin of Harvard Business School, 81 per cent of HBS alumni report cur-

rent involvement with a non-for-profit organisation. Although participation for international students is below that of Americans, it is, says Mr Austin, still strong.

"There's much more interaction between charities and private business than there used to be," says Mr William Shore, who heads Share Our Strength.

Since they may one day be expected to act as advisers to non-for-profits, managers want to understand the way they are run. While non-for-profits - particularly universities, hospitals and museums - have much in common with traditional businesses, academics say there are key differences.

"A company never aims to put itself out of business," says Mr James Thompson, who heads the public management programme at Stanford University's business school. "But charities often do. The aim of an anti-poverty organisation is to no longer be needed one day."

Also, measuring the success of a non-for-profit is much more difficult than it is in the private sector. "The numbers are more subjective," says Mr Austin of HBS. "If you give 20 kids a scholarship, is that a success? That depends. How many were you planning to put through university, and how did they do at university? It's very nebulous."

Then there is the question of how to motivate unpaid staff. One of the greatest challenges for managers of non-for-profits is making sure volunteers feel useful. Since many crave social interaction, orchestrating social contact may be important. To help students under-



Links between charities and companies such as Timberland have fuelled interest in non-for-profits

stand these concepts, most MBA programmes use traditional case-study methods. By so doing, they can also demonstrate much about the benefits to the businesses involved.

HBS students, for example, examine the partnership of City Year, a community action programme for inner city youth, and the footwear and clothing manufacturer, Timberland. Timberland's involvement with City Year is so close that it donates clothing - "uniforms" - to the organisation's volunteers, and has even launched a commercially available "City Year" clothing line.

"Partnerships work best when the company has something to show for its commitment in terms of its own bottom line," says Mr

Hassel McLellan, dean of the business school arm of Boston College. Involvement in a non-for-profit can enhance a company's image, boosting demand for its products and improving employee morale. Partnerships and private sector advice are becoming more useful to non-for-profits as they set up commercial enterprises to fund their activities. The Boston Public Library, for instance, has set aside a hall of its historic building for use as a commercial tea room and expects to benefit enormously from the profits. Churches in city centres are opening art galleries and cafés. Museums have long depended on in-house shops to raise money. Because the commercial side of non-for-profits is becoming more

important, their staff increasingly have professional qualifications. The United Way of Massachusetts, which works with inner city youth, says over half of its staff now has MBAs.

"That certainly wasn't true a decade ago," says a spokesperson. Whether they end up running a non-for-profit, or simply offer advice from the sidelines of the private sector, MBA graduates can probably count on some involvement. "I'll probably work, at least some of my career, in a non-for-profit," says Mr Jean Donnelly, a MBA student specialising in the area at Boston College. "But even in the private sector, my studies in non-for-profits will come in handy."

SEMINARS AND BRIEFINGS • by Vanessa Houlder

Group therapy for business leaders

If it's lonely at the top, meeting your peers can help. A look at the role of discussion groups

The idea that even top executives need to update their skills is becoming increasingly fashionable. But most senior managers find it hard to wrench themselves away from their desks to attend a course.

There is, therefore, a growing interest in short briefings and forums as way of keeping in touch with the latest management ideas.

Business schools go some way to fulfilling this demand. For example, Templeton College at Oxford and the Anderson Graduate School of Management at UCLA in Los Angeles are setting up biannual Oxford-UCLA Global CEO briefings. About 40 executives will be invited to attend the meetings, which will include faculty presentations and last a day and a half.

On the whole, however, business schools tend to have an ambivalent attitude to very short programmes. London Business School, for example, avoids them, citing its aim "to create long-term relationships both with individual managers and organisations who participate in the school's programmes and courses" as the reason. Its shortest open programme is "Competing for the Future", a two-day course with LBS's leading strategy specialist Gary Hamel, costing £3,250.

Making up for this business school resistance are briefings run by consultancies and conference organisers. CSC Index, for example, offers a Senior Management Interchanges programme - a series of meetings "designed to expose sponsors to the latest thinking on business and management issues". Featuring discussions with leading management theorists, the

meetings are held in various locations in the US and UK.

Another example is Linkage, a Massachusetts-based company that runs conferences, seminars, workshops and other educational programmes. It is holding a two-day course on "global leadership development" in May, which will include presentations from academics such as Sumantra Ghoshal and Nancy Adler, workshops and "interactive problem solving sessions".

The idea of listening to leading management theorists will appeal to some managers. But many will find formal lectures and presentations irrelevant.

"The term executive education switches people off," says Mr Nick Holley, director of management development at Lex Service, the

chief executives have no-one to talk their ideas through with.

The Action Learning for Chief Executives course run by Ashridge Management College in Barchinastad is described as "a supportive and confidential forum" in which to review current practices and formulate new ideas. Ashridge says that the programme is an opportunity to discuss issues with colleagues who understand your problems but are not part of your company. Each group devises its own timetable and subject matter, although everyone brings specific issues to the session. The forum, which costs £3,500 for five full-day meetings, is run over nine to 12 months.

A related concept underlies The Executive Committee (TEC), whose UK headquarters are in Kensington, London. The organisation, which has 3,000 members worldwide, co-ordinates regional groups of 12 to 15 chief executives who meet one day a month for sessions with a speaker, followed by a discussion of individual business issues. According to TEC, the aim is to provide "a supportive peer group in which chief executives meet for education, counsel, brainstorming and discussion".

The Academy for Chief Executives, based in Islington, London, is a similar organisation. Recently founded by a former facilitator for The Executive Committee, it runs groups with a maximum of 14 members. The aim is to provide updates on business developments and help executives continuously improve their personal skills. Group membership subscription is £700 per month, with a one-off joining fee of £350.

All these peer-group schemes are enthusiastically endorsed by their members. The msg, as usual, is time finding dates that suit all the participants can be tough.

That is why Lex's Mr Holley takes the idea of learning from peers a step further: one-to-one mentoring by executives from different companies is often a better way to cope with diary problems, he says.

Whether organised in pairs or in groups, it is clear that managers enjoy working with their peers. Not only does it help overcome their sense of isolation, but it also provides them with practical advice on the issues that most concern them. "Management development is not about giving people answers," says Mr Holley. "It is about challenging them and helping them to meet people and find the answers for themselves."

Continued on page 5

APPLYING THE THEORY IN PRACTICE • by Richard Donkin

Many unhappy returnees

Participants can find life back in the office hard. A new Cranfield study reveals why

One of the biggest problems for executives who attend management development courses is applying the theory back in the workplace. The assimilation of management ideas and techniques within the employing organisation, therefore, is beginning to attract increasing attention from management schools.

Cranfield School of Management has just completed a body of research. It followed the progress of about 90 individuals through four of its general management programmes and contacted them afterwards to discover how they applied their new skills and how they were received by other staff when they returned.

Ms Sally Atkinson, a lecturer in organisational behaviour, and Mr David Butcher, senior lecturer in management development, undertook the study. They say the research is important for modelling future courses and for identifying competencies necessary to put management theory into practice.

They term the requisite underlying personal skills "meta-abilities". In order to define them, they asked course attendees to complete questionnaires between six months and 15 months after they had returned to their companies.

Some found the return to work difficult. Typically, they had little support from colleagues. One returning manager referred to the "dinosaurs at the top" who were not prepared to change. It was common for managers to change roles in the six

months after they completed the programme and this brought a continuity problem: in some cases, their new boss was in a position to have a clear view of their performance and needs.

The relationship between the course attendees and an existing line manager could be far from supportive - sometimes there was active competition.

Often the reaction from line managers amounted to little more than indifference to the course input. They saw their role as administrative - one of going through the mechanics. Some had too little understanding of the principles behind management development and learning.

One of the biggest problems for returning managers was feedback from colleagues. Every manager on each of the programmes leaves with a personal action plan to provide the focus for what he or she needs to achieve at both a personal and organisational level. Managers said in the study that they found the personal level of the action plan easier to accomplish because it was within their control.

Not all ran into brick walls, however. One said he had received "tremendous support and encouragement from my manager" and had found an increasing willingness among his team to challenge and discuss issues. Additionally, his managing director was open to new ideas regarding organisational structure and strategy.

One manager felt less isolated because his peers and immediate supervisor had attended the same or similar programmes so understood what he was trying to achieve.

The research team concluded that one of the most

important aspects of management training was bringing out and developing the underlying abilities necessary to make a business more responsive to change.

The study, still in draft form, defines six qualities that it considers necessary for effective management:

- Managerial knowledge - both acquisition of and translation into practice.
- Behavioural skills - principally, assertiveness, communication skills, the ability

to influence and develop others.

- Cognitive abilities - to recognise and hold complex perspectives and conflicting concepts in the mind, plus the ability to shift perspectives, remain open-minded and consider possibilities.
- Self-knowledge - the ability to select from a range of behavioural options in response to a particular need.
- Emotional resilience - self-control, self-discipline,

the ability to cope with pressure and bounce back from adversity.

- Personal drive - the ability to motivate yourself and others.

The Cranfield team believes management development courses can focus on areas such as self-insight far more effectively than anything that is possible in the day-to-day workplace.

The study asks: "How

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ARTS

Cinema/Nigel Andrews

Watch this Space

Movie anniversaries are dangerous things. Like beribboned tripwires they set off a repeat hysteria - parties, tie-in products, TV plugathons - for films that in most cases had more than their fair share of the first time around.

Now *Star Wars* is back. The hype for this humbly-budgeted space opera that grew into a lavish and lucrative trilogy scarcely seems to have paused in the 20 years since it was made. But at least the new "Special Edition" allows us party-poppers who dissented the first time round to re-

STAR WARS
George Lucas

SPACE JAM
Joe Pytko

TROJAN EDDIE
Gillies McKinnon

tune our dissent in response to THX sound and computer-enhanced images.

There are graphic leaps forward here. Jahha The Hnt, a giant talking slug who obviously modelled himself on Sydney Greenstreet, slurps and alithers to fine effect. The cities of that "galaxy far, far away" are conjured in finest detail, from the houses to the surreal creatures who walk, fly or bounce along its streets. (There are fetching, dandyish giant rats in *Mos Eisley*.) And the explosions and space fights all but blast us from his seat.

Yet what is it all for? And why, to us sceptics, does a movie often hailed as "mythic" seem like a collection of hand-me-down ideas dressed up to pass as new - handed down, furthermore, from hopelessly ill-matched sources?

Here are the endangered damsel (Carrie Fisher's Princess Leia) and the growling dragon of a captor (Darth Vader). Here is the Arthurian hero-youngster (Mark Hamill's Luke Skywalker) who needs a mission to grow to manhood and a

Merlin to guide him (Alec Guinness, droning on for his historic percentage points as Obi Wan Kenobi).

Here is Homo Humphrey Bogartus (Harrison Ford's Han Solo), the rough but lovable cynic who will stand up to be counted if he can then sit down to count the reward money. And here, in another blind grabbing from the pop-cultural pot, are a gold-plated Jeeves (CSPPO) escorting a baby-sized Bertie Wooster (R2D2) from mishap to mishap.

When attention flags, the makers throw in some overgrown muppets for the Mos Eisley bar scene. And when all pretence of a cogent or character-driven plot falls away, we lurch into the final hour of chases and hand-to-hand fights that could belong in absolutely any western, pre- or post-cybernetic.

The glass ceiling of achievement that *Star Wars* never rises above is cuteness. Cute robots, cute hero, cute one-liners. Whenever it aspires higher, towards a mythic resonance, it cracks its head on pretension. "May the Force be with you." What force? Life force? - religious faith? - cosmic energy? The moral for movie-makers is simple: Never define a line of dialogue so long as it sounds good, for it can go straight into the catchphrase section in the tie-in product range.

All this and John Williams's Nietzsche-on-overdrive theme tune too: just when you thought you had got it out of your head, here it is again. There are still special editions of *The Empire Strikes Back* and *The Return Of The Jedi* to come. Keep watching - it looks as if we will have to - this Space.

Meanwhile, let me commend *Space Jam*. Living basketball legend Michael Jordan and living rabbit legend Bugs Bunny zoom about the cosmos in a live action/animation comedy that is more alive and animated than *Star Wars*.

The plot is silly, no question. A planetful of famous cartoon characters are hijacked by another, space-park-styled planet and then forced to buy back their freedom



'Star Wars' is back: Alec Guinness drones on for historic percentage points as Obi Wan Kenobi in the Special Edition

in a basketball game. But the film moves along like a dozen dust-devils, it is brightly drawn, and it is funny and luscious in equal measures. May the Force be with you.

In *Trojan Eddie* human beings walk the earth and one gives a sigh of pleasure. No being comes more human than Stephen Rea. His features were put together by God one ill-focused morning: here a too-large nose, there a prune-shaped mouth of a mouth, atop it all a civil insurrection of hair.

This film by Scottish director Gillies McKinnon (of *Small Faces*) from a script by Irish playwright Billy Roche is perfect for Rea. As the fast-talking, fast-thinking and when necessary fast-running street huckster of the title, he is Puck to Richard Harris's Oberon. Playing the silver-headed boss of a band of travellers, Harris dandles Rea on the end of an invisible string. The young protégé whom the patriarch rescued from jail

now acts as his Mr Everything: salesman, messenger, middle man, fall guy.

So Rea is in the storm's eye when an already convoluted plot advances into judicious chaos. Harris's new child-bride (Aislinn McGuckin) elopes with Rea's best friend; one chap is beaten up, another murdered with a sheep-hook; and a suitcaseful of money runs around Ireland acting as a McGuffin, or O'Guffin, on over-time.

There are too many minor characters, of whom the women are required to do little but stand in doorways giving menacing or inveigling looks. It is hard to work out who belongs to whom, though "belong" the women do in what Roche and McKinnon depict as a virtual pre-Dark Ages society: one where the boss gazes down from his eyrie-like office above the junkyard and the minions get stuck in the mud below.

Even the sound effects boost the

notion of a modern-dress, cottage-industry Greek tragedy. Listen for the weird Eumenidean howl - what is it, garage doors? - when a car posse starts up in pursuit of the elopers.

The glory of the film, though, is the Harris-Rea double act. The hatchet-faced old mummer has never been better, a wheedling Lear with hints of weakness at the heart of his braggadocio. Rea, a young mirror-image, is all terror hastily combed into self-confidence. And was there ever a more sweetly surprising last laugh than the one he has at Harris's expense in the last scene in a cinema?

Fred Zinnemann. God bless him, also made films not set in outer space. The director of *High Noon*, *The Men* and *From Here To Eternity*, who died last weekend, was a terrestrial stylist with a gritty belief in the "message".

He fell foul of French and American autocrats in the 1950s/60s.

For there is nothing left-wing cinephiles hate more than the weird Eumenidean howl - what is it, garage doors? - when a car posse starts up in pursuit of the elopers.

Sometimes, after all, only one man does stand up for freedom and honour. And sometimes that man has every right to throw his Sheriff's star in the dust, as Zinnemann allowed Cooper to do here. To the shock of a McCarthyised America gripped by notions of un-Americanism.

un-Americanism.

Concert

Zander's Mahler

Just about two years ago at the Barbican, Benjamin Zander conducted the Philharmonia in a searing Mahler Sixth. It announced a conductor of rare and special Mahlerian sympathies, with a bracing scepticism about conventional Viennese or Bernstein-ish ways of addressing him. Last year he returned to conduct the towering Ninth Symphony: the performance positively radiated radical insights, searching afresh and deeply into the score.

Zander reappeared last week, this time in the Festival Hall, with the Second Symphony, the "Resurrection". Solo voices Jean Rigby (committed, but not in best vocal estate: the ideal mezzo timbre here should have a deeper pile) and lovely Nancy Argenta (who should have been placed back among the chorus, the more sweetly to ascend from them); Philharmonia Chorus in awesomely unanimous form.

Though the performance gripped at every point, it was not revelatory as Zander's Sixth and Ninth had been. The "Resurrection" Symphony is less complex and fractions music: it is painted with a broader brush, and an ear attuned more to mass effects than to the fraught polyphony Mahler would cultivate later. Many great conductors have explored it, and little room is left now for genuine surprises. In Zander's reading the chief novelties - all persuasive - were his chosen places for gear-shifts in the huge opening movement, which shaped its continuity plainly and forcefully.

After the glorious conclusion of the symphony, it was a shock to discover how long it had taken. Zander's account had been not only slower than most, but generally quieter too. In the many long passages which cling away contrapuntally before gathering steam for an explosion, he secured bated-breath clarity - without anticipatory flashes - for all Mahler's wry, intricate workings-out. We found ourselves listening raptly to the interplay of all the voices in what usually sound like mere stages on the way to the next climax.

If I had a reservation about this splendid performance, it was only because a voice in my head occasionally reminded: "this conductor is deliberately cultivating deliberate tempi". Zander kept his orchestra so exotically suppressed, for so long and so often, that one could not but scent a whiff of conscious contriving. Yet the musical results he achieved swept reservations aside. All told, the calculated sequence of events led to glowing heights, where any finicky doubt about the means of getting there just melted away.

David Murray

Theatre/Alastair Macaulay

Importance of Being Oscar

Oscar Wilde made his personality and life so theatrical that they seem heaven-sent to any latterday playwright and/or actor. *The Importance of Being Oscar* - written by the actor Michael MacLiammóir and performed by him all over the world from 1960 to 1973 - is a splendid one-man entertainment, which Simon Callow more or less splendidly brought back to the London stage on Tuesday night.

"I put my genius into my life, my talent only into my work," Wilde said, and there is much to support this. Wilde was - or managed to become - flamboyant, tender, shocking, scholarly, charming, witty, open-hearted, self-contradictory, immodest, bisexual: perhaps the greatest master of the soundbite the English language has known, and brilliant at juggling frivolity and profundity at the same time. As for his life, it included self-publicity, recklessness, social climbing, American success, dazzling West End triumphs, scandalous trials, imprisonment with hard labour, social notoriety, and exile. The man was a play.

Callow's style - directed here by Patrick Garland - is best

suited to one-man shows such as this. He has the personality and the technique (and the memory) to engage with Wilde for an entire evening (*The Importance of Being O*, lasts, with interval, two hours and 20 minutes); he has wit, flamboyance, and florid emotionalism. He enjoys both the big gesture and the grand display of vocal bravura.

There are aspects of Wilde's character that elude him: in particular, the loveable and un-English openness of spirit. But there are other aspects of Wilde to which MacLiammóir's text and Callow's performance pay unusual emphasis. These, however, though highly interesting, incline me, writing in the hour that follows the performance, to rate Wilde himself rather lower than I have for the last several

years. In particular, Callow's acting stresses - to the nth degree - the melodrama in Wilde's writing, and its relish for martyrdom. Callow plays to the hilt a crucial sentence like "Through the house was heard a cry of such horrible agony that the servants woke up one by one" (from *Dorian Gray*). However, he also squeezes every drop from the embarrassing extent to which Oscar parallels himself with the martyred Christ - in *Reading Gaol* (from the wine/blood connection through to the repeated betrayed-by-a-kiss point) and elsewhere - and I find this to be one *folie de grandeur* too many on Oscar's part.

Self-pity in Wilde is one thing, and very understandable in the light of his disgraceful treatment by almost all of England. But Wilde's self-dramatisation amid his self-pity is less likeable. "We

are the zany of sorrow", he writes about himself and other prisoners; the brave blitheness with which, changing tone, he then looks forward to beholding the labour and the bliss on his release is worthy, alas, only of Joan Crawford in her most gruesomely noble mode (though Callow comes close); and then - the letter is to Lord Alfred Douglas - he finishes by saying "Perhaps I have been chosen to show you... the meaning of sorrow, and its beauty." As tearjerking martyrdom goes, Oscar was an award-winner.

It is not the fashion to criticise Wilde, least of all for his suffering. Although the title *The Importance of Being Oscar* suggests a show of critical of Wilde's life and personality, MacLiammóir's is certainly not that. Mainly it delights in quoting Oscar - his poems, his plays, his letters, his remarks to friends and journalists - and this is usually delightful, as in that letter to Douglas from prison: "The sentimentalist is merely a cynic at heart. Sentimentality is merely the bank holiday of cynicism... To the cynic, nothing is ever revealed." Witty, beautiful, compelling stuff.

Savoy Theatre, London WC2

Jazz/Garry Booth

Blood on the Fields

Few jazz composers have successfully confronted the challenge of extended orchestral work without wandering out of the idiom and falling into the third stream. Ellington succeeded with the *Black, Brown and Beige* suite; Mingus made it (posthumously) with *Eclipse*. And so jazz waited a long time for *Blood on the Fields*, Winton Marsalis's magnificent three-hour oratorio for Jazz at Lincoln Center. An unflinching portrayal of the tragedy of slavery, Marsalis's work is both uplifting and deeply moving.

Blood on the Fields follows the misfortunes and ultimate redemption of two slaves, Jesse and Leona, whose parts are taken by singers Miles Griffiths and Cassandra Wilson. The part of Juba, who cancelled the pair on the path to spiritual freedom, is sung by scat veteran Jon Hendricks. The band, 14 pieces, provide the chorus and chanted narrative.

On Tuesday at the Barbican Hall, on the last night of a European tour, Marsalis's music,

arrangement and libretto meshed deliciously. The brass section, anchored by Wycliffe Gordon's tuba, played with the loose-tightness that non-US orchestras dream of. Sections of swing, blues, soul and dissonance mutated one from the other to be criss-crossed by stellar solos from horns (though tantalisingly few from the trumpet leader) and voices. Cassandra Wilson, whose molasses-sweet contralto voice flowed across the changes, exuded voluptuous sensuality in her reading of the composer's rich melodies.

Marsalis undoubtedly took a risk with this project. Such as been his high profile as an often arrogant master soloist and outspoken jazz purist, that more than a few have been waiting for the JALC's artistic director to put a foot wrong. A three hour jazz opera based around the tradition could easily have provided the tripwire. But *Blood on the Fields* confounds his critics and consolidates his reputation as an original thinker within a precious tradition.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Methusalem: by Bach. Conducted by Kurt Sanderling and performed by the Koninklijk Concertgebouworkest, the Orkest Nederlandse Bachvereniging, the Koor Nederlandse Bachvereniging and the Jongenskoor van de Kathedraal St Bavo. Soloists include Vasilika Jazovsek, Andreas Scholl, Otto Bouwknegt and Peter Kooy; Mar 23

BERLIN

EXHIBITION
Museum für Ostasiatische Kunst Tel: 49-30-8301382
● Zhi-yuan - Der Garten des Verwellens. Bilder eines chinesischen Gartens von Zhang Hong: exhibition of work by the Chinese artist Zhang Hong, whose realistic images of gardens produced in the early 17th century were influential for a number of European missionaries

In China at that time, to Apr 27

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Don Giovanni: by Mozart. Conducted by Olaf Henzold, performed by the Deutsche Oper Berlin. Soloists include Ferruccio Furlanetto, Amanda Hehrmann and Clemens Bieber; Mar 23
Staatsoper Unter den Linden Tel: 49-30-20354438
● Le Rossignol: by Stravinsky. Conducted by Pierre Boulez, performed by the Orchestre et Choeur des Théâtres du Châtelet. Soloists include Natalie Dessay, Wendy Hoffmann and Wolfgang Böttner. Part of the Festtage 1997; Mar 23

COLOGNE

ART & ANTIQUE FAIR
Köln Rheinhallen
● Westdeutsche Kunstmesse: the 28th Westdeutsche Kunstmesse International features 158 dealers from seven countries with highlights including works by Goya, and a number of German Expressionist works; to Mar 23

DUBLIN

CONCERT
National Concert Hall Tel: 353-1-6711888
● The Irish String Trio: with violinist Sheila O'Grady, violist Elizabeth Caisi and cellist Moya O'Grady, accompanied by flautist Marie Comiskey and pianist Deborah Kelleher perform works

by Mozart and Schubert; Mar 21

FRANKFURT

CONCERT
Alte Oper Tel: 49-69-1340400
● Concerto Grosso: by J.S. Bach, with conductor and pianist Ina Edestein perform works by Milhaud, Franck, Debussy and Ravel; Mar 22
Jahnhundertsche Hoechst Tel: 49-69-3801240
● Philharmonia Orchestra: London: with conductor Esa-Pekka Salonen and violinist Frank Peter Zimmermann perform works by Ravel, Ligeti and Bartók; Mar 23

LONDON

DANCE
Royal Opera House - Covent Garden Tel: 44-171-2129234
● La Bayadère: choreographed by Natalia Makarova after Petipa to music by Minkus, performed by the Royal Ballet. Soloists include Sylvia Guillem and Jonathan Cope; Mar 22

EXHIBITION
Christie's Tel: 44-171-8399060
● Houghton at Kenwood: exhibition of Old Masters from the collection of Sir Robert Walpole, Britain's first prime minister. The paintings were transferred to Houghton Hall, Norfolk in Walpole's fall from power, where they remained for a further two generations until almost 200 pieces were sold to Catherine the Great of Russia in 1779. Two centuries later some of these paintings have been returned, on

loan for this exhibition; to Apr 20
Whitechapel Art Gallery Tel: 44-171-5227888

● Antechamber: exhibition of work by five artists: Francis Alys, a Belgian painter who commissioned billboard copies of his work; David Austen, a British painter influenced by images of antiquity; Claude Heath, a British artist who produces giant wall drawings whilst blindfolded; Steven Pippin, a British artist who finds unexpected uses for technology and Annelies Strba, a Swiss photographer who uses multiple projectors to present her work; from Mar 21 to May 18

JAZZ & BLUES

Ronnie Scott's Tel: 44-171-4390747
● Joe Lovano Quartet: performance by the jazz saxophonist; Mar 24, 25, 26, 27, 28, 29

LOS ANGELES

EXHIBITION
The J. Paul Getty Museum Tel: 1-310-459-7611
● Manuscript Illumination of the Thirteenth Century: exhibition of 19 works from the museum's collection of European illuminated manuscripts exploring the art of painting in books in the 13th century. Many artists from this period achieved dramatic new affects with a combination of reflective gold and saturated, jewel-like colour; to Apr 6

MUNICH

OPERA

Curvillies-Theater - Altes Residenztheater Tel: 49-89-296836
● Parsifal: by Wagner. Conducted by Peter Schneider and performed by the Bayerische Staatsoper. Soloists include Marilyn Schmiege, Caroline Maria Petrig and Jennifer Trost; Mar 23

NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Gellina Gorchakova and Larissa Gergjeva: the soprano and the pianist perform works by Glinka, Tchaikovsky, Rimsky-Korsakov, Balakirev, Dragomirzhysky and Rachmaninov; Mar 23

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Some Women: an exhibition of portrait busts of eight women, in bronze and marble, by artists including Rodin, Lehmbruck, Brancusi and Giacometti; to Apr 6

PARIS

CONCERT
Théâtre de la Ville Tel: 33-1 42 74 22 77
● Christian Zacharias: the pianist performs works by Schubert; Mar 22

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● La Photographie Contemporaine: exhibition Collections Nationales: exhibition featuring photographs by

contemporary artists such as Christian Boltanski, Alain Fleischer, Annette Messager, Jun Shiraoka and Helmut Newton; to Mar 31

STOCKHOLM

CONCERT
Stockholms Konserthus Tel: 46-8-7860200
● Filharmonikerna: with conductor Petter Sundkvist and clarinetist Hermann Stefánsson perform works by Mozart, Padermud and Bizet; Mar 22

EXHIBITION
Nationalmuseum Tel: 46-8-6664250

● Chambers & Adelcrantz: exhibition examining the work of Swedish-born 18th century architect Sir William Chambers, alongside a separate section dedicated to his contemporary Carl Fredrik Adelcrantz; to Apr 20

VENICE
OPERA
Gran Teatro la Fenice Tel: 39-41-786511
● Falstaff: by Verdi. Conducted by Isaac Karabitschewsky, performed by the Orchestra a Coro del Teatro la Fenice. Soloists include Angelo Vezzola and Lidia Tircelli; Mar 21, 22, 23

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TECHNOLOGY

The campaign for a world ban on the use of anti-personnel land mines received a fresh boost yesterday when Diana, Princess of Wales, presented a bravery award to 35-year-old Chris Moon who lost his right leg and hand clearing mines in Mozambique.

Diana's efforts, which began with her controversial visit to Angola in January, are assisting long-term campaigning by the Red Cross and other aid agencies. This is edging more countries towards banning the manufacture and deployment of anti-personnel land mines - South Africa, for example. But even if no more land mines were laid worldwide, it would take 1,000 years using existing methods to clear all the 100m anti-personnel and anti-tank mines already laid.

Detection technologies are having to keep pace with those of the land mines themselves, which are becoming increasingly sophisticated. For instance, mines made almost entirely of plastics are cheaper to produce, and very difficult to find with a metal detector.

Newer types of mine include one sensitive to electro-magnetic radiation that could be triggered by some detectors. Researchers have worked out what weight and mass of fragment will cause most damage in human flesh.

Where there is a clear military reason for clearing mines, such as moving troops through a battle zone, all sorts of ground-pounding devices, rollers and explosive ropes have been developed. Unfortunately, however, progress has been slow where the military role is less clear.

Systems for demining former battle areas have not changed significantly since 1945. Local information, and dogs trained to detect the smell of explosives, may help to establish the limits of a mined area. Then a team of two people goes in. One has a metal detector, and scans a 1m-wide path. The other has a probe to check gently whether signals are from a mine or from shrapnel, or some other harmless piece of metal. There could be many, many false alarms.

The difference in attitude towards mine clearance during and after a battle was highlighted in 1994 following British action in the Falklands. Five types of plastic anti-tank and anti-personnel mines had been laid by the Argentinians, plus four with metal castings.

The UK Ministry of Defence funded research into a ground probing radar device which had shown promise, and after a two-year, £2m programme involving 80 people, a new version located



- Mines currently planted worldwide: 100m plus
- Countries with minefields: 60 plus
- Mine deaths per year: 10,000-20,000
- New mines laid each year: 2.5m
- Mines cleared each year: 100,000
- New mines in storage: 100m
- Number of mine models: 800 plus
- Clearance cost per square km: £1m
- Traditional mine detection methods: metal detectors, dogs and probes
- New detection technologies: ground probing radar, infra-red imaging, magnetic induction, biosensors, radiometry, nuclear quadrupole resonance, synthetic aperture radar, electrical impedance tomography and others

Source: consensus of various estimates

Designers of land mines are always one step ahead of those trying to clear them, finds Ken Hill

Battle with death underfoot

every plastic mine buried in a field test. But the Falklands clearance programme was stopped: the ministry said there was no military requirement, and the Foreign Office said there was no political reason.

More recently, the challenges of post-battle mine clearance have been illustrated by the situation in Croatia. Robert Keeley of the UN mine clearance programme finds the main threat in his area comes from mines in urban areas with a tiny amount of metal in them. "What would make our job easier," he says, "is knowing the real extent of a minefield."

"We find an awful lot of clear ground when we go into an area that local people think is mined. Maybe remote sensing from an aircraft would help. Until we have that, and a reliable plastic mine detector, we shall continue with our manual methods."

There are still plenty of metallic mines to keep clearing teams busy - in Cambodia, Afghanistan, Angola, Laos and other battle-scarred countries. But even after the Falklands and the Gulf

war, where plastic mines were also used extensively, the demand for a plastic mine detector cannot be met.

At an international conference in Edinburgh last year on mine detection and clearance, 35 papers were presented, most on research being conducted into technologies with rele-

A new mine detector should comprise sensors of two or three types in a hand-held device, or more if mounted in a vehicle

vance to land mine detection. Mine detection technology still seems to be moving slowly, and in diverse directions. Commercial companies naturally hesitate to undertake expensive research towards an expensive product, when the biggest market for it is developing countries which are strapped for cash.

One participant at the conference, sponsored by the Institution of Electrical Engineers, claimed to detect some movement towards concerted action. He is Alistair Craib, who worked closely with researchers on the Falklands project as a major with the Royal Engineers, and is now an independent consultant on land mine clearance.

"It used to be that the researchers would meet at various conferences and present their work," he says, "then exchange greetings with counterparts in other organisations before going back to continue their work in isolation."

Now, he says, "there are some instances of companies with complementary technologies getting together within a country - others where two or three countries are setting up projects, and I see movement at EEC and Nato towards more co-operation."

Craib says there is a hardening consensus that a new mine detector should comprise sensors of two or three types in a hand-held device, or more where they are mounted in a vehicle.

Ground probing radar and

infra-red imaging are gathering support as a hand-held sensor duo. Also being researched is a biosensor that can match the sensitivity of a dog's nose to explosives, but without the need for a long period of training and loss of sensitivity after 30 minutes or so.

Several versions of ground probing radar are in development. Project leader for the Falklands research programme was Richard Chignell, who then set up his own company, Emrad, in the south of England to continue work on the technology.

Sacked by a consortium of gas companies in New York, Emrad is marketing its first product, Pipe Hawk, to locate plastic and other pipes underground for the utility industries. Its success has also been recognised in other areas - in the UK, notably for leading police to the remains of the victims of Frederick West in Gloucester, and mapping tunnels dug by anti-road protesters in Devon.

"If we were to look at a mine detection project again," says Chignell, "my first priority would be vehicle-mounted radar for detection, then in a second stage, infra-red imaging for recognition. A magnetic sensor would also help. With funding, a system could be rapidly developed for effective operation in a specific theatre, whether the military or a non-government organisation."

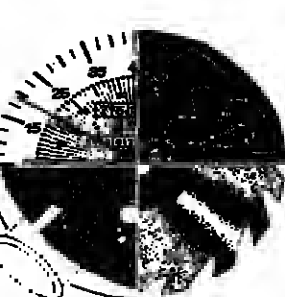
Mick Gillman, head of the counter-mine warfare department at the UK's Defence Evaluation and Research Agency, says there has been significant progress over the past two years in a number of technologies. "We are now field testing approaches that could once only operate under laboratory conditions," he says. "But the 'silver bullet' that reliably finds all mines in all circumstances is still a long way off."

For hand-held sensors the agency is focusing on ground probing radar and infra-red systems to check the size and shape of objects, and nuclear quadrupole resonance to determine whether they contain explosives. This technology, which has been employed at airports to scan luggage, uses radio frequency signals from nuclei in the explosives.

Ultra-wide band radar is also being considered, primarily for vehicle-mounted systems. "The approach depends very largely on soil type and conditions, hence there is not one single technology solution," says Gillman.

Until such technologies are perfected, it seems the best strategy the world wants to afford is still two people and a dog, with technology half-a-century out of date.

Worth Watching - Vanessa Houlder



New view of cancerous tissues

An optical technique to monitor oxygen levels in blood and muscle could eventually be used to detect breast cancer as an alternative to X-ray mammography.

Researchers at the University of Hertfordshire say the approach, optical tomography, can provide useful information about the health of tissue and blood supply, although it cannot produce the same clear images as X-ray systems.

The computer-based system gives information about the oxygen contained in tissue by creating images of how light is absorbed and scattered within it. As a result, it can detect the increased blood supply required by rapidly multiplying cells in cancerous tissue.

Another goal of the research, which will be presented at the Institute of Physics Annual Congress in Leeds this month, is detecting whether tissue is healthy or gangrenous.

University of Hertfordshire, UK, tel (01707) 284606; fax (01707) 284644.

Pigs that fly down oil pipes

An ultrasensitive inspection tool which can detect tiny cracks in oil and gas pipes has been developed in Germany. Until to now, these inspection tools, known as "pigs", have generally been used to identify larger defects such as dents or corrosion.

The 8m inspection tool consists of one section with up to 800 ultrasonic sensors, coupled with two hermetically sealed pressure vessels containing batteries, computers and electronics systems. It can survey hundreds of kilometres of pipelines in a single run, storing its findings in an

on-board computer. The tool was designed by Pipetronix with the Fraunhofer Institute for Non-Destructive Testing, Fraunhofer Institute for Non-Destructive Testing, Germany, tel 031 3023890; fax 031 303054.

The shape of drugs to come

Sepracor, a US biotechnology company, has completed phase III trials of one of the first drugs to be made through "chiral purification", which means that one of the two mirror images of the same molecular shape has been removed, writes Daniel Green.

The idea is that if one of the two shapes is responsible for side-effects, then the purified version should be as effective as the mixture, but with fewer side-effects.

Sepracor's asthma drug, levamisole, is a chiral pure version of Ventolin, manufactured by UK drugs company Glaxo Wellcome, and Proventil, made by Schering-Plough of the US. It says the trials showed that not only were side-effects lower but that the drug's effectiveness, as measured by lung function, was higher than with the unpurified version.

The company will apply for US marketing approval in June.

Sepracor, US, tel 508 481 6700; fax 508 787 0794.

Devices set to shrink further

An improved chemical deposition process could pave the way for smaller, faster microelectronic devices, according to US researchers. Researchers at the University of Illinois have developed a new approach to depositing thin layers of titanium disulfide, which is widely used for making contacts to transistors in integrated circuits.

They refined the technique known as chemical vapour deposition by injecting the reactants in a gas phase at a relatively low temperature. The process can be used on smaller device structures while being compatible with existing manufacturing techniques.

University of Illinois at Urbana-Champaign, US, tel 217 243 1033; fax 217 243 4016.

BUSINESS AND THE LAW

Worker cannot transfer rights



When a company dismisses its employees following the loss of a service contract, those employees will not necessarily be able to rely on Community provisions governing company transfers, the European Court of Justice ruled last week.

The Court's ruling arose in the context of a case concerning a cleaner called Mrs Szen, who had been employed by a company to clean a German school. The school terminated its contract with the company in June 1994 and dismissed all of the cleaners. The contract was then awarded to another company which did not re-employ any of the dismissed cleaners.

Mrs Szen brought proceedings before the Bonn Labour Court in which she sought a declaration that the notice of dismissal served by her former employer had not ended her employment relationship with that company. The German court considered that the case turned upon the interpretation of the Council directive on the approximation of the laws of the member states relating to the safeguarding of employee's rights in the event of transfers of undertakings, businesses or parts of businesses. The national court therefore stayed proceedings pending a preliminary ruling from the European Court of Justice as to whether the directive applied to the case.

The directive provides that it should apply to "the transfer of an undertaking, business or part of a business to another employer as a result of a legal transfer or merger". The Court found that the aim of the directive was to ensure continuity of employment relationships within an economic entity, irrespective of any change of ownership. The decisive criterion for establishing the existence of a transfer was whether the entity in question had retained its identity. That was indicated in particular by whether its operation was actually continued or resumed.

The Court held that the directive was applicable whenever there was a change in the natural or legal person who was

responsible for carrying on the business and who incurred the obligations of an employer towards employees of the undertaking.

However, for the directive to be applicable, the transfer had to relate to a stable economic entity whose activity was not limited to performing one specific works contract. The term "entity" therefore referred to an organised grouping of persons and assets facilitating the exercise of an economic activity which pursued a specific objective.

To determine whether the conditions for the transfer of an entity were met, it was necessary to consider all of the circumstances of the transaction in question. It was relevant to note the type of undertaking or business concerned, whether or not its tangible assets were transferred, the value of its intangible assets at the time of the transfer, whether or not the majority of its employees were taken over by the new employer, whether or not its customers were transferred, the degree of similarity between the activities carried on before and after the transfer, and the length of any suspension of those activities.

An entity was not defined merely by the activity entrusted to it. The mere loss of a service contract to a competitor could not therefore of itself indicate the existence of a transfer within the meaning of the directive. In those circumstances, the service undertaking previously entrusted with the contract did not, on losing a customer, thereby cease fully to exist, and it could not be considered that a business or part of a business belonging to it had been transferred to the new addressee of the contract.

The Court therefore ruled that the directive would not apply to the factual circumstances of the case described in the questions referred by the German court.

C-13/95: *Ayşe Szen v Zehnacker Gebäudereinigung GmbH Krankenhaus, ECJ FC, March 11 1997.*

BRICK COURT CHAMBERS BRUSSELS

Holding on to key staff is becoming tougher for financial institutions in the City of London. This was underlined by the recent case of Mrs Nicola Horlick, who resigned from her job as a senior director of Morgan Grenfell Asset Management after being suspended for allegedly holding talks with ABN AMRO, the Dutch bank, on a mass defection of fund managers from MGAM.

Since Big Bang 10 years ago and the influx of international rivals, competition among investment banks for teams of traders has become intense.

With US investment banks, in particular, prepared to pay large sums to traders to secure their services, poaching has become a way of life and many institutions have found themselves powerless to protect their businesses. Restrictive covenants designed to prevent traders from defecting to rivals - which are often signed in return for handsome financial rewards - have not proved worth the paper they are written on.

Last month, however, the High Court upheld restrictive covenants against three managers working as inter-dealer brokers with Dawney Day, an investment bank, in a decision that offers City institutions some hope that the tide may have turned.

The case is unusual in that the three managers - Mr Frederic de Braconier D'Alphen, Mr Patrick Johnston and Ms Sally Ann Parkman - had entered into a joint venture with Dawney Day in 1992.

At the time all three had been working as inter-dealer brokers in French and Belgian government bonds for Euro Suisse Securities. By the terms of the shareholders' agreement they struck, Dawney Day would provide the capital for the venture and the three managers would bring their skills and experience as well their teams of brokers.

It was agreed that they would form a company to act as the joint venture vehicle, to be called Dawney Day Securities (DDS). The three managers were to be joint managing directors of DDS and were allocated half the share capital for a nominal sum of £150. Their common intention was to build up the business to a point where it could be floated or sold.

DDS did very well and expanded rapidly between April 1992 and November last year. Each of the managers during those four years received £200,000 in basic salary and more than £500,000 in net dividends - equivalent to more than £800,000 with the 20 per cent tax credit. In addition

Legal trap laid for City poachers

A High Court ruling may deter financial institutions from luring staff away from rivals, says Robert Rice

they had company cars, health and life cover and an extensive travel and entertainment budget. On November 11 last year, however, without warning they gave three months' notice and on the same day entered into service agreements with Cantor Fitzgerald International, the large US investment bank.

The preliminary issue before the High Court was whether restrictive covenants in the shareholders' agreement were enforceable as a reasonable restraint of trade.

Broadly, the covenants were: a non-compete covenant preventing the managers from joining or being connected with any business competing with DDS's euro-bond broking business; a non-solicitation covenant preventing the managers from soliciting DDS's clients; and a non-solicitation covenant preventing them from soliciting DDS employees.

All covenants were, at the stage the case came to court, expressed to run for a year from the date each manager ceased to be an employee or director of DDS.

In the days following November 11, it soon became apparent to Dawney Day that the 11 brokers who worked for the three managers were also preparing to leave. In one fell swoop the bank was in danger of having its euro-bond broking business stripped.

The most unusual aspect of the case was that the body entitled to enforce the covenants was not DDS, but Dawney Day.

The managers argued that the bank's only interest was as an investor, and as such it had no legitimate interest which needed protecting by the covenants. The court, taking a pragmatic view, disagreed. The bank was more than an investor, it said. Not only had it provided start-up capital, premises, facilities and administrative back-up, it had joined the three managers in a new, risky trading venture to be carried out through the medium of a limited company, in consequence, the bank had a legitimate proprietary interest to protect through the restrictive covenants.



A more difficult question was whether an employer has a legitimate interest in maintaining the stability of its workforce. It was here that the court moved the law forward.

Mr Justice Walker had two conflicting 1993 Appeal Court decisions to choose between. In *Thorn v British Motor Insurance Co*, the Appeal Court ruled an employer did not have a legitimate interest in maintaining a stable workforce such as to put restrictions on the poaching of its staff. However, in *Ingham*, decided three months later, the court said an employer had a legitimate interest in maintaining a stable, trained workforce.

Mr Justice Walker decided to follow *Ingham*. Taking account of all the circumstances, the small size of the bond-broking community, the specialised and competitive nature of the business and the importance of the team element, he decided Dawney Day had a legitimate interest in preventing the poaching of its bond-broking team.

The judge also said the bank had a legitimate interest in safeguarding client connections, particularly as it had spent so much money on entertaining clients.

The next question was whether the covenants were a reasonable restraint of trade. A crucial factor in the court's finding that the non-compete and non-solicitation of clients covenants were reasonable and should be upheld was that the shareholders' agreement was a commercial bargain between business people of broadly equal bargaining power, in such cases, the court said, the general principle was that the parties were the best judges of what was reasonable.

The non-solicitation of staff covenants in the shareholders' agreement were held to be an unreasonable restraint of trade because they were too wide, in that they applied to all DDS staff from the lowest to the highest.

However, the judge had little difficulty in upholding similar covenants in the managers' service contracts which applied spe-

cifically to non-solicitation of senior employees and directors of DDS.

The managers and Cantor Fitzgerald are to appeal. But Mr Guy Naggard, Dawney Day's chairman, claimed victory. By the time the Appeal Court dealt with the appeal, the one-year restrictions would all but have served their purpose, he said.

All 11 brokers who had worked for the managers had been retained and, after a couple of sticky months following the resignations, business had returned. He also hailed it as a landmark decision with far-reaching implications for other teams attempting to leave businesses en masse. "Good people build a following within a bank or brokerage house and after a while they think it's all them and that they can move and get the benefit of anything that's been built up. But they forget we have paid for it and the business has been built up within the institution."

Mr Roger Hopkins of Hobson Audley Hopkins & Wood, Dawney Day's solicitors, also believes the case is of great significance to the City. In particular, the judge's decision to follow the *Ingham* case and rule that an employer does have a legitimate interest in maintaining a stable, trained workforce has wide ramifications, he said.

"If you can just dislodge key people and they aren't bound by restrictive covenants and they can pull out others to follow them, you can effectively remove the business from a rival without actually having to buy it. That's very undesirable in the marketplace."

Mr Hopkins said that in looking at restrictive covenants the courts had to achieve a balance between respecting agreements and catering for the doctrine that contracts in restraint of trade are contrary to public policy and should not be upheld. However, the balance shifts according to what the particular view of public policy is at any one time, he said, and clearly the court had signalled it was time for a change.

"In the past 10 years, big money has been offered to lure people away, often with devastating effects on businesses. You can't plan ahead; you've got to have these people for the business, but they can just up and off and who is left holding the baby? Answer: the company."

"So public policy has to shift to cater for this, especially in the current climate, with US banks, in particular, throwing money at people."

COMMENT & ANALYSIS

FINANCIAL TIMES

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Thursday March 20 1997

Talking to Boris

President Boris Yeltsin remarked recently, with evident satisfaction, that he would be the fitter of the two participants in today's Helsinki summit. He could almost have been referring to their political as well as physical health. Mr Yeltsin has just staged yet another spectacular recovery, while Mr Bill Clinton is beset by scandals and has just lost one of his close advisers.

Both presidents are in fact "comeback kids", and both face hostile legislatures. The difference is that Russia's constitution enables Mr Yeltsin just about to snap his fingers at the Duma, while Mr Clinton has to duck and weave to avoid being paralysed by Congress.

The balance of power between the two countries, however, is quite the opposite: Russia weakened, impoverished and fragile; the US still a global superpower with a strong economy. That imbalance makes the meeting a delicate one for both sides. Mr Yeltsin may feel obliged to talk tough in order to avoid looking like a suppliant. Mr Clinton has to treat him with respect and courtesy, yet avoid making undesirable concessions.

Specifically, Mr Clinton has to convince Mr Yeltsin that the west values Russia as a partner, and that Russia has nothing to fear from NATO's expansion, while firmly resisting any Russian pretension to decide which former Soviet satellites or republics have the right to join, either now or in the future.

It should be equally unacceptable for NATO to object to any voluntary alliance, or even integration, between Russia and other neighbouring states - the most likely candidate at present being Belarus. It might reason-

ably insist, though, that the consent of the Belarusian people be verified by a fully democratic procedure, more demonstrably in accordance with the norms of the Organisation for Security and Co-operation in Europe (OSCE) than the referendum which President Anatoly Lukashenko staged last year.

There is much that NATO and the US can do to integrate Russia more closely into the emerging European security system. They have already proposed defining the NATO-Russian partnership in a charter which would establish a permanent joint council, with clear principles and arrangements for consultation, co-operation and joint action in peacekeeping, defence, arms control, nuclear safety, non-proliferation and emergency relief.

They have also tabled far-reaching amendments to the treaty on conventional forces in Europe, which would rule out any big build-up of NATO forces along Russia's borders.

With goodwill and effort on both sides it should still be possible to reach agreement on these matters before NATO's July summit, at which the formal invitations to new members are expected to be issued.

Mr Clinton should listen carefully to any proposals Mr Yeltsin makes for the strengthening of the OSCE, or of Russia's role in it. But he should not enter into a negotiation with Mr Yeltsin over NATO enlargement. Nor should he expect Mr Yeltsin to withdraw his opposition. The best that can be expected from this meeting is an agreement to continue talking, and not to let disagreement on one issue poison the entire relationship.

Rogue control

How should management be held accountable when a rogue trader brings an investment firm to its knees? It is a question that has been sending angry ripples through the upper echelons of the City of London in recent months. Now the debate is coming to a head, with the Securities and Investments Board preparing proposals to clarify bosses' responsibilities when controls break down.

Not a moment too soon. The Barings collapse was the most egregious recent case of weak management failing to detect the concealed losses of a wayward employee. Since then, Jardine Fleming, Deutsche Morgan Grenfell and NatWest Markets have all found similar reason to rue inadequate risk controls. None of these accidents would have occurred if senior management had paid due attention to internal controls and the balance between risk and reward.

Should managers, then, be placed in the dock? The Securities and Investments Board has proposed that, when firms suffer significant financial damage, a designated senior executive should be called to prove that he was not to blame. Failure to do so could lead to punishment.

This proposal has the presentational merit of closing the gap

in the rules that allowed the most senior of Barings' top brass to escape with only mild censure. But by presuming guilt unless innocence can be proved, it seems to some to violate natural justice - and might be open to challenge through judicial review or appeal to the European Court of Human Rights.

The result is something of a muddle, with the SFA board apparently divided down the middle on the issue. Now SIB has stepped in, with its attempt to elaborate accountability principles that could apply to the financial services industry as a whole.

The regulators should not be deterred. Top management of investment firms needs to be strengthened in the interests of investors and employees alike. Bonus schemes that reward risk-taking without penalising losses, for example, are an incitement to reckless behaviour.

General managers need to guard against the adverse consequences of such systems, and when they fail it is right that they be held to account.

SIB's challenge is to find a way of bringing managers to face their responsibilities without entangling them in a deeper thicket of legalistic argument.

Latin zeal

Latin America's economic revival appears back on track. The region's annual growth rate over the next two years is expected to rise towards 5 per cent, and inflation is likely to fall to its lowest level in decades. Mr Enrique Iglesias, president of the Inter-American Development Bank, says growth could soon reach 6 per cent - a level that would start to counter the region's awful poverty.

The prospects for growth - and the expectation of large-scale privatisations in Brazil - have generated growing enthusiasm among international bankers. Some is warranted, but they should take care. Intense competition means that margins have been cut to the bone. Some banking business in the region cannot be profitable, and an excess of generosity at this stage would neither be good for the lenders themselves, nor for the borrowing countries.

That is not to say a disaster is in view, even if US interest rates rise in the near future. The economies of Latin America are in much better balance than in 1994. They have reduced significantly their reliance on short-term debt. Moreover, most investors have learned the lesson of the Mexican crisis of 1994-95 and the concentration of

risk built up then does not seem to be recurring.

The region is not yet out of the woods, however. The reforms that have opened Latin American economies and made them more responsive to market forces have succeeded in increasing growth. Barring unexpected political or external shocks, it looks sustainable. But it has not been enough to raise the living standards of populations significantly.

An overall positive picture hides deep problems in some countries. There are difficult political and economic issues in the Andean countries, such as Colombia. In Mexico, it will take years for some people to recover their standards of living brought about by the harsh recession of 1995. Many states are threatened by the influence of drug traffickers supplying the US market.

Reform is still needed on several fronts, including tax systems, labour markets, improving conditions for savings and investment, and reforming corrupt and bankrupt state institutions. The list is long. Politically, it may very well be more difficult to achieve than the reforms so far. Optimism, then, is in order; great enthusiasm is not.

After more than 15 years of negotiations, Krupp Hoesch and Thyssen, the giant German industrial companies, have given themselves eight days to reach agreement on pooling their interests in steelmaking. If they succeed, the consequences could be felt by the European steel industry for the next 15 years.

A full merger would turn two medium-sized producers into Europe's third-largest and the world's fifth-largest manufacturer. But it would also accelerate the slow rationalisation of the European steel industry.

It could help pave the way to the creation of more modern and streamlined steel production. It could also lead to the internationalisation of an industry in which companies still largely operate within national boundaries.

However, much will depend on how far and how fast the partners are able to go with rationalisation in the face of intense opposition in Germany to job cuts. Mr Gerhard Cromme, the Krupp chairman, has already been forced by political pressure to abandon the drastic option of a hostile bid for Thyssen.

With German unemployment at its highest levels since the 1930s, German politicians will seek to restrain serious cuts in the combined groups' 192,000 workers, 58,000 of them in steel.

Chancellor Helmut Kohl called for a "reasonable solution" and urged both companies to "live up to their responsibilities". Investors believe the companies will extract financial gains from their plans. Krupp and Thyssen shares, suspended since the hostile bid was announced on Tuesday, have soared in the grey market. Rival producers' shares are also up, with British Steel and Usinor Sacilor of France up 3.1 per cent and 6.7 per cent respectively since Monday.

"Greater synergies would be have been possible by combining the Thyssen and Krupp groups," says Mr Terence Sinclair, steel analyst at Salomon Brothers. "But with the focus on just steel you get the bulk of the benefits with perhaps less social pain."

The European industry has welcomed the partnership plan as it has greeted similar rationalisation proposals in the last 15 years.

"Krupp and Thyssen have been discussing for a long time," said Eurofer, the European steel producers' association. "But we look very positively on this latest development."

British Steel said it welcomed "anything that could lead to reduce capacity in Europe". Usinor Sacilor said it looked on the Krupp-Thyssen moves "with great interest".

European steelmakers' problems lie in the creation after the second world war of politically-dominated producers - some, as in France and the UK, nationalised while others, as in Germany, were privately owned but under tight government control. After rapid post-war expansion, the industry was left with excessive costs and surplus capacity in the 1970s. Big job cuts followed, with the industry reducing workers from over 900,000 in the early 1970s to about 330,000 and raising productivity dramatically with the support of massive state aid.

Motor roller wheels in

It's too early to ask Graham Morris to spot the difference between bird's eye maple and burr walnut. But, two weeks into the job, the new chief executive of Rolls Royce Motor Cars is beginning to appreciate the finer points of building wheels for the well-heeled.

Former colleagues at Audi, the German carmaker which sold 500,000 vehicles last year, teased him that he might get bored building barely 1,700 cars a year. But Morris, 47, who was responsible for sales and marketing at Volkswagen's upmarket subsidiary, reckons his stint in Germany has given him a head start over his immediate predecessors at Rolls Royce.

Understanding Germany's "passionate attention to detail" should come in handy, there is a new model around the corner promising "a quantum leap" in sales, he says, so "it's absolutely critical the car is right". With prices starting at £150,000, customers will agree.

Smoke signals

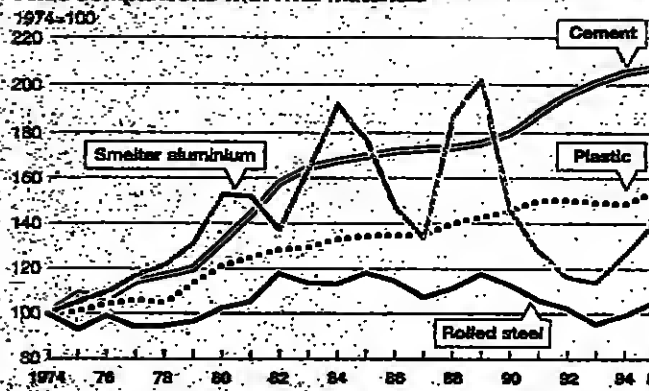
NatWest has secured the services of Tom McMann, the mastermind of Morgan Stanley's

Capacity for change

The proposed merger of Germany's biggest steelmakers is likely to spur a shake-up in the European industry, says Stefan Wagstyl

European steel: braced for rationalisation

Price comparisons with rival materials

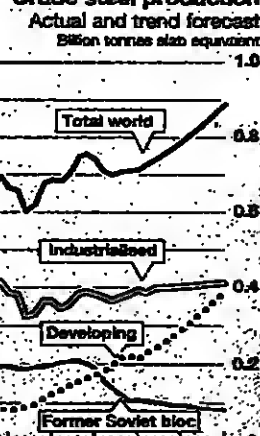


Top European steel makers

Company	Country	Output 1995
British Steel	UK	16.12
Usinor Sacilor	France	14.98
Riva	Italy	13.10
Arbed	Luc	11.50
Thyssen	Germany	9.30
Cockerill Sambre	Belgium	6.40
Hoogovens	Netherlands	6.16
Krupp Hoesch	Germany	4.92
Huta Katowice	Poland	4.38
CSI	Spain	4.30

Source: European Steel Federation, World Steel, CISA International

Crude steel production



However, with declining public resources, governments turned to privatisation, led by the UK government which sold off British Steel in 1988. It has since been transformed from one of the developed world's least efficient producers to one of the best.

France followed suit with Usinor Sacilor, which was privatised in 1995. And Italy has sold much state-owned steel to Riva, an unquoted private company.

Now Spain is preparing to privatise CSI, its state-owned producer, by selling a stake to a strategic investor. Usinor Sacilor is seen as a likely buyer.

Mr Guy Dollé, strategic planning director at Usinor Sacilor, estimates only 17 per cent of European steel production is now under public control, down from over 40 per cent as recently as 1994. In his view this amounts to a "revolution".

With privatisation, governments have largely abandoned large-scale state aid for steel, sticking to a 1994 EU agreement which banned aid except for research, environmental improvements and funding capacity cuts.

Privately owned companies such as Hoogovens in the Netherlands, Arbed in Luxembourg, and Thyssen, Krupp and others in Germany, have shed tens of thousands of workers to keep up with British Steel in the pursuit of efficiency.

In Germany, home of Europe's biggest steel industry with about 25 per cent of output, there were important mergers, including Krupp's 1981 takeover of Hoesch. Krupp and Thyssen pooled their stainless steel and tinplate operations and continued to talk about the elusive big deal.

But while the past 10 years have transformed the industry, its financial performance remains weak. Salomon Brothers, the US investment bank, estimates that only British Steel and Usinor Sacilor make average returns equal to their cost of capital, though Krupp comes close.

Steelmaking is vulnerable to the 'business cycle because the steel market is volatile. Dramatic price swings of up to 50 per cent can be generated by fairly modest changes in demand of around 15 per cent between the peak of the economic cycle and the trough. Companies have to rely on making sufficient profits on a good year - such as 1995 - to compensate for poor profits or losses in poor years such as the early 1990s and again in 1996.

However, overcapacity tends to depress profits across the whole cycle. Despite the staff cuts of the past 15 years, European crude steel production capacity has stayed broadly unchanged at about 190m tonnes a year, as producers concentrated output on the most efficient sites. Excess capacity is estimated at least 20m tonnes. Crude steel output last year was 162m tonnes in western Europe, down from 170m in 1995.

Producers say capacity cannot be brought into line without a much deeper restructuring of the industry, in which a Krupp-Thyssen steel merger would be an important stage. A deal would bring together some 15m tonnes of crude steel production and force the partners to consider closing at least one significant works - probably the ageing Krupp plant at Dortmund.

"There must be a closure," says Mr Sinclair of Salomon Brothers. "Otherwise there's no point." Also if the partners pool marketing as well as production, the merger will reduce competition - to the advantage of all producers. Krupp is an aggressive price-cutter which is seen by many competitors as a destabilising influence.

"This should bring more stability to the market," says Mr Peter Fish, managing director of Meps (Europe), a consultancy.

However, a Krupp-Thyssen agreement would do little more than bring to Germany the same level of consolidation which has already occurred in other countries - the creation of a national champion such as British Steel and Usinor Sacilor. The next stage in reducing overcapacity in Europe would be international rationalisation - something the companies have so far been reluctant to consider.

The steel industry worldwide is particularly fragmented with the world's top 20 makers producing just 35 per cent of output; in aluminium and plastics, by contrast, the top 10 manufacturers produce more than 50 per cent. Some of the industry's biggest customers, notably the motor industry, are increasingly planning products for world markets - and want world-class suppliers.

The need for cross-border restructuring is particularly acute in western Europe, with so many medium-sized producers competing with each other, and the producers in the neighbouring countries of eastern Europe catching up fast.

Some international deals have been struck. British and Swedish

stainless steel companies have pooled their interests in Avesta-Sheffield. Arbed has bought control of Stahlwerke Bremen, the steel business of Kloeckner Werke, the German industrial group which went bankrupt in 1995. Lurichini, a privately owned Italian company, has bought a steel mill near Warsaw.

However, according to Mr Rod Beddows, chairman of Beddows, a British consulting company, "This is just a beginning. The industry needs much more."

The possible acquisition by Usinor Sacilor of a stake in Spain's CSI is the scale of venture Mr Beddows says is necessary. Other medium-sized producers which might be vulnerable to mergers include Hoogovens and Arbed.

However, some potential predators have yet to come out of their cages. British Steel, although financially strong, has shown little inclination to make acquisitions in western Europe, though it is investing in the US. A more enterprising example is Ispat International, the London-based, Indian-owned group with interests in Kazakhstan, Mexico, Canada, Germany and Ireland.

Governments have in the past encouraged steel companies to think in national terms. But with state intervention fading, producers are free to think internationally.

Also the development of mini-mills - flexible, high-technology plants which are already extensively used in North America - could permit companies to enter each other's national markets more easily.

If the current crop of European steel executives does not grasp the opportunities, a new generation almost certainly will.

OBSERVER

fashionable Multinationals Index, a loose collection of growth stocks which has come to be known as the new "Nifty Fifty". McMann joins NatWest in New York as its US market strategist; his other recent claim to fame is a research note arguing that increased cigar consumption could signal the end of the bull market. Let's see what he speaks out at NatWest.

Hidden charms

It is difficult to know why Hwang Jang-yop, the celebrity North Korean defector, decided to stop in the Philippines en route to what he hopes will be permanent sanctuary in Seoul.

The northern mountain resort Baguio, also known as the City of Flowers, is a pleasant enough spot to hunker down for a few days. Stung by a 1,500m in the Cordillera mountains, it is the favourite bolt-hole of Manila's elite. With its golf courses, country club, and forests of pine trees the resort is probably a welcome contrast to Hwang's recent billet in South Korea's Beijing embassy.

But the Philippines' reputation for security is hardly comforting: abductions for ransom doubled to 241 last year and the latest issue of Fortune magazine dubs the Philippines the kidnapping capital of Asia.

Any hopes that Hwang's

arrival would remain top secret were soon dashed by the inimitable local press. His cloak and dagger entrance was front-page news in all the Manila dailies. "With all respect to the security forces, if I were Mr Hwang, I would be a very nervous man indeed," says one local banker.

Transported

Neil Kinnock twice tried and failed to take the top job in British politics; in the process the former Labour party leader was savaged by the tabloid press and retired bruised from the domestic scene.

But time - not to mention a well-padded post as EU transport commissioner - is a great healer. Kinnock has been doing so well in Brussels he's even been mentioned as a future Commission president. Now he intends to do what he can to help current Labour leader Tony Blair succeed where he failed.

As a commissioner, Kinnock has to stop carefully when it comes to participating in the election campaigns of member states. But, as luck would have it, his responsibilities will see him making a usually large number of visits to the UK in the run-up to the general election on May 1. No doubt he'll be adding a discreet word of support for Blair if the occasion arises.

Things should be easier this time around. Rupert Murdoch's *Sun* newspaper - the most vigorous of Kinnock's old adversaries - this week came out in favour of Blair.

Driven mad

Red means danger, especially in the crime-ridden city of Johannesburg. Thousands of motorists each year are mugged in their cars while waiting at traffic lights; residents have long argued that it's more dangerous to stop than to drive right through the red signal.

It seems that the authorities finally got the message. They have given drivers permission to drive through red lights if they feel in danger. "Tinus Malaza, Johannesburg's traffic management officer, says motorists driving at night should treat red traffic lights as "give way" signs. He's appealed to the local police to take the same lenient view.

Not that there's much to be gained by getting home quickly in a city where burglary is rampant. The latest victim is public prosecutor Selby Bagwa, whose house in neighbouring Pretoria was looted on Tuesday. "It really drives home that crime in this country has reached a highly unacceptable level - not that I was not aware of it before now," he said.

Financial Times

100 years ago

Glad Tidings From Spain The Spanish Finance Minister is in a great hurry to impart glad tidings. It is true that the revenue for the first fortnight of March shows an increase over the corresponding period last year, but there is surely no need to become hysterical about it. If the good tendency continues, we shall be delighted; otherwise we shall be forced to interpret the Minister's cablegram as an indication that Spain wants a new loan very badly and finds it uncommonly hard to soften the hearts of the financiers.

Cigars From Cuba The atmosphere of Cuba has for many dreary months been charged with the electricity of revolution, but, curiously enough, this unhappy state of affairs seems to conduce to the prosperity of the cigar industry. In 1896 the exports represented nearly 186,000,000 weeds, or twenty-seven and-a-quarter millions in advance of 1895, so that the long-talked-of Havana famine need not have to be faced yet awhile.

Austrian Trade Unions All the railway servants' trade unions in Austria have been dissolved by the authorities for overstepping their proper functions and for manifesting tendencies which are regarded as incompatible with the interests of the State.

COMMENT & ANALYSIS



Peter Martin

Case for conglomerates

Big diversified groups are often regarded as inefficient but it is good management, not focus on a single activity, that brings business success

Here is heresy: there is a case to be made for conglomerates.

For more than a decade, to make this argument has been to court derision. The f-word - "focus" - has reigned supreme. Companies as varied as American Telephone & Telegraph, Imperial Chemical Industries, Hanson, Dun & Bradstreet and this week Rockwell have broken themselves up. In 1995 alone, say the authors of a new book*, the value of "break-off transactions" in the US reached \$76.7bn, up from annual levels of well below \$10bn in the 1980s.

Even when spin-offs have failed to produce the expected leap in value for the components - as in the case of Hanson and AT&T - the case for break-ups goes unchallenged. The underperformance of the parts is taken as a sign of the value-destroying nature of the whole. And anyway, the components are surely still too unfocused. They need to be broken down yet further, by more spin-offs.

Whenever a business consensus hardens into unthinking dogma, it deserves closer scrutiny. Just what is so wrong with conglomerates?

The usual arguments range from financial theory to human motivation. The consensus is that in the past, with inefficient markets and immobile resources, there may have been a case for conglomerates. They allowed investors to achieve the virtues of portfolio diversification - higher returns with lower risk - in a way that was otherwise difficult. Within them, scarce resources - capital, know-how, managerial talent, political influence - could be applied effectively to a wider collection of businesses.

That time is past, the argument goes. Modern portfolio theory shows us that investors can achieve

the precise degree of diversification they seek more cheaply through the stock market than by paying big-company managers to do it. No resource is so scarce these days that it needs to be husbanded within a conglomerate, and shared out among its divisions. Understanding a single business is a vital management asset; no conglomerate can know enough about its hodgepodge of subsidiaries to run them all properly. Without such knowledge, resource allocation inside the company will always be less effective than in the wider capital market.

If conglomerates had never existed, this argument would seem flawless. But they are all about us, sometimes flourishing, sometimes not. General Electric is by common consent America's most successful company; Granada is one of Britain's. Both are heavily diversified. And new conglomerates continue to be born, as this week's bid for ADT by Tyco shows.

When Samuel Johnson, the 18th century lexicographer, was asked how he refuted Bishop Berkeley's theory of the immateriality of the physical world, he

kicked a solid piece of earth, saying: "I refute it thus." The existence of conglomerates creates a similar tension between theory and practice.

Just as our senses tell us that the earth is real, so observation tells us that conglomerates exist. Yet that existence - if the anti-conglomerate arguments are as persuasive as they seem - requires a belief in a huge past market failure. The creation of big, diversified companies has destroyed wealth on a gargantuan scale, but nobody has noticed - or, if they have noticed, they have done nothing about it. Managers have been able to build themselves huge empires, raising their pay but not their profits, and shareholders have tamely gone along with it. Stockbrokers' analysts have failed to grasp the underlying value of multi-business companies because they find them hard to understand, yet investors have ignored this opportunity for arbitrage.

Surely the market cannot be this flawed? It is not. The traditional arguments for and against conglomerates miss the point. It is true that the portfolio diversification argument does not work for conglomerates any more, if it ever did. But that does not mean the conglomerates - or any diversified company - necessarily destroy value. Single-business companies are just as capable of underperforming, as the history of British industry vividly illustrates.

The key ingredients in business success are clarity and cohesion of purpose on the part of all those engaged in the enterprise. It is probably easier to achieve these in a focused business than in a diversified one, but only just. What is more, a focused business may be cohesively pursuing the wrong objectives - technology for its own sake, say, or worldwide presence. A conglomerate, whatever its faults, is likely to be more dispassionate about its objectives.

Many of the arguments advanced against conglomerates are really arguments about the drawbacks of size. Large single-business companies are just as capable of becoming bogged down in bureaucracy, as insulated from market pressures, as any conglomerate. Yet large companies get larger, and smaller companies either become large or disappear. So, though there are

undoubted drawbacks to size, there are also clear advantages. The task of management is to minimise the bad things about getting bigger and take maximum advantage of the good ones. Not all large companies succeed in this task. Those which fail to do so ultimately resolve the problem by becoming smaller, or by being taken over by companies which can successfully manage size.

A similar argument applies to conglomerates. Really good managers are in short supply, and they are capable of applying their skills to a range of businesses. That does not mean they are magicians, nor that

they will always succeed. But it does create an opportunity: to use these skills to add more value to the companies they run than they destroy through lack of detailed knowledge of the individual businesses. In some diversified companies, the gains from that process will sometimes outweigh the losses. At others, the balance will tilt into negative territory.

In their heyday, the acquisitive British conglomerates Hanson and BTR added value by finding, buying and fixing troubled companies. Once that process ran out of steam, thanks to a shortage of takeover candidates and the ageing of the two companies' most creative managers, both underperformed. Now they are changing again, by demerging (Hanson) and by focusing on a few core businesses (BTR). There is a good chance that both transformations will produce positive results. If so, the lesson will be that a determined set of managers with a strong focus on value can turn an unpromising business into a successful one.

Remember the Hawthorne experiment in the 1920s, in which two groups of workers at a Western Electric plant were subjected to different levels of workplace lighting. Both groups increased production, relishing the evidence that someone was paying attention to them. If spin-offs do better once separated from their former parents, that may be a result of the energy created by newly won independence. Focus is not inevitably better than diversity, whatever conventional wisdom may hold. But change is always better than stagnation.

*Break Up! When large companies are worth more dead than alive. By David Sadler, Andrew Campbell and Richard Koch. Capstone Publishing, Oxford. £18.99



BOOK REVIEW Gerard Baker

BACK FROM THE BRINK - The Greenspan Years by Steven K. Beckner

John Wiley and Sons, £24.95, 452 pages

Federal Reserve's greatest asset



We live in an age dominated by the cult of the central banker. The great debates of economic policy have resolved themselves into one overriding goal of near-mystical significance - the pursuit of price stability.

Since playing the evils of inflation is considered too important a job for mere politicians, the race is on to cede as much power as possible to the central banks.

The men in charge of these institutions have moved out of the shadows into the limelight. In the process the names of the biggest stars - Paul Volcker of the US, Karl Otto Pöhl of Germany, Yasuhiro Mieno of Japan - have become almost as familiar in their own countries as those of their political leaders.

But no name ranks higher than that of Alan Greenspan. Soon to complete 10 years as chairman of the US Federal Reserve, he is widely called, without a hint of hyperbole, the most powerful man in the world. Mr Greenspan has already inspired a number of biographies, mostly of a hagiographical nature. But none goes quite so far as this one.

It has become axiomatic that the softly spoken Mr Greenspan is the real architect of the US economy's formidable strength today. Bill Clinton's re-election as president last autumn against heavy political odds is usually attributed to the adroit management of the economy by Mr Greenspan in the first Clinton term.

But Steven Beckner, a financial journalist, goes much further. Within months of Mr Greenspan's arrival at the Fed, he argues, the US started over a precipice of financial and economic collapse with the

stockmarket crash of October 1987.

It was only Mr Greenspan's foresight and remarkable surefootedness that averted a series of events that would have sent the entire economy tumbling over the edge. In his introduction, Mr Beckner paints a lurid picture of the nightmare scenario that might have happened - financial collapses, bankruptcies, mass unemployment.

It is a large claim and one that the self-effacing Mr Greenspan himself would presumably shrink from - with some justification. Though few could seriously quarrel with the proposition that the Fed chairman has proved to be a gifted custodian of US monetary policy, it is a little hard to swallow that he virtually single-handedly resuscitated the economy.

The expansionary monetary policy pursued immediately after the 1987 crash, when the Fed allowed short-term interest rates to fall sharply, was probably right at the time. But it is now recognised, not least by Mr Greenspan himself, to have been an unnecessary over-reaction. Governments everywhere, mindful of the horrors of 1929, overestimated the effects on the economy of a stockmarket correction.

In the event the collapse in share prices in 1987 made very little difference to the behaviour of consumers and businesses. Indeed, critics of Fed policy would say that the over-loose monetary policy after the crash put the Fed at a serious disadvantage in dealing with the real economic threat of the time - a surge in inflation.

On this view the Fed then spent the best part of the next four years attempting to retrieve the situation - raising rates too high for too

long in 1988-89 and then, when recession and banking collapse struck, cutting them too low and holding them down too long until inflation threatened to take off again in the early 1990s.

But Mr Beckner's book is still a highly enjoyable account of the Greenspan years, drawing heavily on the federal open market committee minutes and interviews with leading individuals in the Fed, the administration and Congress. It conveys the extraordinary sense of almost continual emergency at the Fed as the economy lurched from stock market crash, to inflationary boom, banking chaos, exchange rate crisis, recession and faltering recovery.

The most striking lesson is not Mr Greenspan's proven talents as a reader of the economic runes, but his extraordinary abilities in handling Washington. Scarcely a page passes without an account of how administration or congressional characters of dubious economic talent but considerable political muscle tried to strong-arm the Fed into doing something it was reluctant to do.

Mr Greenspan resisted and still managed to get himself renominated for the Fed chairmanship by Bush and Clinton, presidents of rather different political views. And he secured his confirmation by a politically fractious Senate on both occasions with near unanimity.

With that kind of political achievement behind him, saving the US economy from collapse must have seemed like a piece of cake.

Back from the Brink is available from FT Bookshop by ringing FreeCall 0500 500 535 (UK) or +44 181 384 5511 (outside the UK). Free p&p in UK.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be sent to +44 171 383 3939 (please get the "line"), e-mail: letters.ed@ft.com. Published letters are also available on the FT web site: <http://www.ft.com>. Translation may be available for letters written in the main international languages.

Bond markets do not expect big UK rate premium outside Emu

From Mr Stephen J. Davies, Sir, Lex assures us ("Money on Labour", March 17) that since "10-year gilts currently yield 1% percent, age points more than bonds, considerably lower long-term interest rates would be in store" if Britain participated in Emu.

Lex may be interested to learn that the bond markets already expect the UK to have roughly the same level of interest rates as Germany by the early years of the next century.

An article published in the Bank of England's latest quarterly bulletin shows that, as of early January, the

difference between gilt and bond yields was entirely due to an expected very large gap (up to 3% percentage points) between UK and German short-term interest rates over the next few years; such an expectation is hardly surprising given the contrast between the two countries' present economic performance. Over the longer term, expected short-term interest rates were effectively the same in the two countries.

Since the markets must be giving some weight to the possibility of the UK staying out of Emu, their view must be that sterling interest

rates would not, in this eventuality, be significantly higher than euro rates.

Given the obvious scope for improving the UK's domestic monetary policy framework and so further reducing UK interest and inflation expectations, it is entirely conceivable that if the UK stayed out of Emu, sterling long-term interest rates would eventually be lower than euro rates.

Stephen J. Davies, economic research executive, Institute of Directors, 115 Pall Mall, London SW1Y 5ED, UK

US not the only sinner

From Mr Terence J. English, Sir, Wow! Talk about the pot calling the black! Tracy Corrigan's article of March 17 about race in the US ("How America keeps a race apart") was incredible.

While the vast majority of Americans would readily admit we fall well short of the mark on race relations, we are working hard to correct our deficiencies. I do not know whether that is the case in the UK.

I suggest Tracy take a look in her own back yard. Maybe she should ask herself when has a minority headed Britain's armed forces or had a chance to be mayor of London, or run a leading UK investment bank?

Maybe Jessie Jackson ought to consider a branch office in the City of London.

Terence J. English, 160 Lamberville Hopewell Road, Hopewell, NJ 08525, US

Streets ahead

From Mr Marco Formentini, Sir, While I have no objection to what Paul Betts wrote on the graffiti in Milan ("Driving deep beneath the mask", February 22/23), his statements concerning the cultural life and the condition of the streets are incorrect.

I assure you the culture! Life in Milan has greatly improved. The Teatro alla Scala is ranked as the world's foremost lyric theatre.

As for the potholes, I would like to stress the fact that in the last four years both the surface and the foundation of every road the city has been redone, reversing the appalling situation my government has inherited.

Marco Formentini, mayor of Milan, Piazza della Scala, Palazzo Marino, 20121 Milan Italy

Shock therapy is an unwise choice

From Professor Padma Desai,

Sir, In arguing that Russia erred in "failing to stick to its radical reform programme in 1992", Martin Wolf ("Russia's missed chance", March 18) implicitly makes a false judgment about the wisdom of shock therapy.

Among those who hoped for a successful transition, the debate was always over whether shock therapy would, given the political situation, be sustainable once tried. The so-called "gradualists" predicted it would not be sustainable and hence would undermine the intended stabilisation.

So, a slower road to stabilisation, even if inferior from a technical viewpoint, would be preferable. We know who had the better of the argument: shock therapy was quickly reversed, resulting in the failure that Wolf laments.

I would contend that the frequent claim that stabilisation could not be achieved gradually has also been belied. As Wolf's own chart on the annual percentage change in the goods consumer price index shows dramatically, the 1992 number of 2,590.9 fell steadily to 120.5 in 1995 and is estimated at just 17.8 in 1996: all this without shock therapy but under the eye of the International Monetary Fund, whose hands were closely guarding the purse strings.

The question of whether the cost to the poor would have been less under a faster rate of stabilisation, if politically deliverable, is important.

It is well known that inflation tends to redistribute incomes to profit-earners and hurt the poor, whose wages and assets are not index-linked. But we must not forget that faster stabilisation can often generate higher unemployment rates as well.

My own research based on in-depth analysis of transition in several countries, shows it is too optimistic to assume otherwise. Evidently a fuller analysis of the question is required before reaching a final judgment on this issue.

Padma Desai, Harriman professor of economics, Columbia University, New York, NY 10027, US

Past and future generations have a place

From Mr Terry Thomas,

Sir, It is flattering that Lucy Kallaway accepts six of the seven partners which we at the Co-operative Bank claim for the successful long-term business ("Stakeholders step up for the generation shuffle", March 17). But why should she balk at accepting past and future

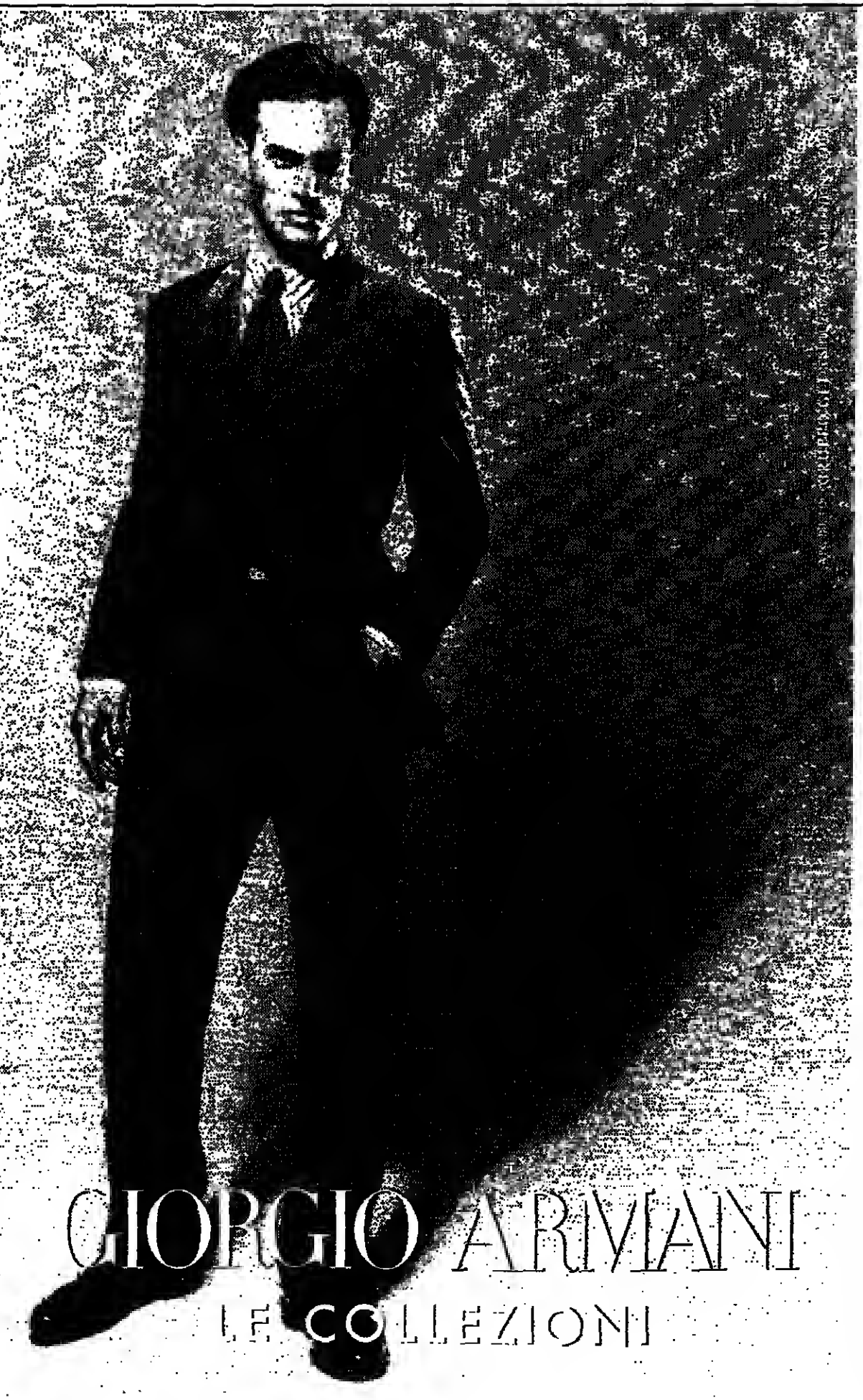
generations as the seventh partners?

Serious businesses benefit from being sensitive to their past and surely no business today would ignore an environmental impact because it was two or three generations away?

Respect for the future and the past should strengthen

any enterprise - and the results of the Co-operative Bank next month will speak for themselves.

Terry Thomas, managing director, Co-operative Bank, PO Box 101, 1 Balloon Street, Manchester M60 4EP, UK



GIORGIO ARMANI
LE COLLEZIONI

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"Make innovation
a lifelong habit."
KAZUO HANANO, founder of Kyocera

FINANCIAL TIMES

Thursday March 20 1997

**THE LITCHFIELD
GROUP**
OF COMPANIES
MANUFACTURING WORLDWIDE
NO DEPENDENCE ON EXPORT
NO WASTE FOR A WARM POLYMER
NO DANGER FOR A FERTILE FIBRE

Collapse sparks fears for S Korean groups

By John Burton in Seoul

Renewed fears over the indebtedness of several South Korean conglomerates and the stability of the troubled banking sector were raised as the main businesses of Sammi steel group applied for court receivership yesterday.

It is the second collapse of a conglomerate this year. In January, the Hanbo steel group folded, provoking a loans scandal that has damaged the presidency of Kim Young-sam.

The Seoul general share index fell by 1.8 per cent to close at 645.39 points in the wake of the filing for bankruptcy protection by Sammi's specialty steel and trading subsidiaries, and against a general background of economic stagnation. The three-year corporate bond yield rose to 12.8 per cent, an 18-month high.

Mr Kim Hyon-bae, the Sammi chairman, said his family would give up management control of the group if it was placed under receivership. Sammi had failed to secure new bank loans as its position deteriorated, Mr Kim said. Sammi had debts of

Won1,900bn (\$3.19bn) against group assets of Won2,475bn, while its steel and trading companies reported a combined net loss of Won165.6bn in 1996 as sales fell by 11.7 per cent to Won1,390bn. This reflected weak global prices for stainless steel products.

In a belated attempt to rescue the group, the state-run Pohang Iron & Steel (Posco) last month agreed to buy Sammi's domestic steel bar and pipe business for Won719.4bn, but this was not enough to repay Sammi's loans.

The Sammi steel group suffered as a result of over-expansion. Its debts grew after it expanded into the North American market by acquiring speciality steel mills in the US and Canada. Sammi also offered these unprofitable plants for sale, but Posco refused to buy them.

Sammi's receivership represents another blow for Korea First Bank, the main creditor bank of both Sammi and Hanbo. The long-term credit rating for Korea First, which had lent Sammi Won430.2bn and Hanbo nearly Won1,000bn, was downgraded last month by

Moody's Investor Service, the US credit rating agency.

Other big Sammi creditors include the state-run Korea Development Bank with Won339.5bn, the Commercial Bank of Korea with Won253.2bn, and Korea Exchange Bank with Won100.8bn, according to the office of bank supervision.

Analysts fear that Sammi's troubles will add to a squeeze on corporate lending, particularly to vulnerable small and medium-sized businesses.

Hanbo collapsed under a debt burden of nearly \$6bn as it sought to build the world's sixth biggest steel mill despite predictions that this would prove uneconomic. Last week, Seangyong announced that it would try to sell 49 per cent of its heavily-indebted car division to foreign investors.

The Korea Stock Exchange yesterday suspended trading in Sammi Steel and Sammi Corporation shares until Friday, while share prices for Commercial Bank of Korea and Korea First fell heavily.

Surfeit of debt, Page 4
Seoul market, Page 38

Chicago exchange sees a future in burger business

By Laurie Morse in Chicago

Mr Warren Buffett is not the only person to think there is money to be made in the future from hamburgers.

While the US billionaire financier has just announced the accumulation of a 4.3 per cent stake in McDonald's, the Chicago Mercantile Exchange says it is going to offer investors future contracts in ground beef.

The CME is betting that its two new ground beef contracts - one low fat, one not - set for launch in June will gain a devoted following among those who want to hedge risk in the hamburger business.

Wheat and soyabean oil futures, the primary ingredients in hamburger buns, have been traded for

decades in Chicago. Ketchup futures have not yet been proposed, but farm-based forward contracts for pickle-dusted cucumbers are commonplace.

The burger business is nothing to shrug at - 5.4bn hamburgers and cheeseburgers were consumed in US restaurants last year, accompanied by tons of french-fried potatoes and washed down with billions of dollars worth of soft drinks.

The outfits that purvey french fries to fast-food restaurants are big players in New York's potato futures market, and softdrink makers routinely hedge their sweeteners either in Chicago's maize pit or in world sugar markets.

Ground beef is important to grocers too. The American

Meat Institute says more than half the 67.3 pounds of beef consumed per capita in the US in 1996 was ground or otherwise processed.

Successful new commodity futures products are few and far between. Cheese futures launched last year on New York's Coffee, Sugar and Cocoa Exchanges barely attracted a sniff and green bean futures at the Beijing Commodity exchange wilted.

But that doesn't stop exchanges from attempting exotic new contract launches - and the CME is confident about this one. It says the world is hungry for a way to hedge the risk of making hamburger sandwiches, and it is gearing up to fill the void.

Commodities, Page 28

Surinam pyramid schemes 'bound to collapse'

By Clay Harris

Pyramid schemes in Surinam which have attracted tens of millions of dollars from thousands of investors, including many in the Netherlands, are bound to collapse, the South American country's central bank said yesterday.

Although the unregulated schemes have drawn in sums which approach the total loans outstanding in the country's banking sector, the central bank denied that the former Dutch colony faced a collapse such as that caused by similar schemes in Albania.

The Dutch foreign ministry warned this week that the schemes threatened Surinam with economic catastrophe. An international banker based in Paramaribo, the capital, described the situation as a monetary time bomb.

The issue is likely to be raised with an International Monetary Fund mission, in Surinam this week to conduct its annual economic review.

Two schemes offering interest payments of 10 per cent per month are conservatively estimated to have attracted \$50m to \$80m, compared with total loans outstanding in the banking sector of \$100m. Ethnic Surinamese living in the Netherlands, which governed the country until 1985, have recently begun to bring huge sums of cash in suitcases to invest in the schemes.

Mr Otto Ezechiels, managing director of the central bank's banking department, said yesterday the schemes' ability to pay existing depositors depended on attracting new funds. "As soon as the inflow dries up, there will be a collapse," he said.

The central bank was discussing with the justice department whether there was any way to regulate the schemes under existing law or whether new legislation would be required.

The schemes are run by two local trading companies, NV Roep and NV Johnev. They have said that they make sufficient profits on other activities to pay the high rates of interest on accounts in dollars and Surinamese guilders. However, apart from investment in property their business interests remain a mystery.

Mr Ezechiels played down the threat of Surinam following Albania's path to monetary chaos, because there was no sign yet of large withdrawals from the local banking system.

An international banker said, however, that loans outstanding in the country's banking system had soared by 200 per cent in the past year, raising concerns that people were borrowing to invest in the schemes.

THE LEX COLUMN

Steely politics

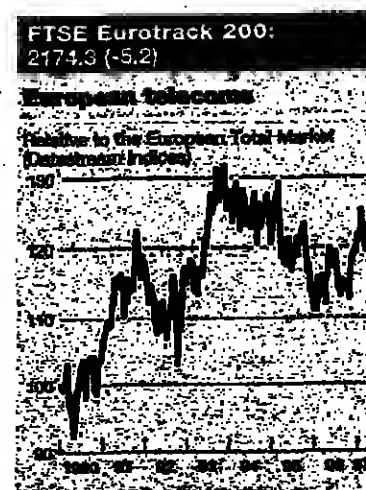
The notion that Krupp's DM3.6bn (\$5bn) offer for Thyssen was always a sham to bring its larger rival to the negotiating table seems distinctly unlikely. The two have talked in the past, to little avail. And Krupp would surely not have launched a hostile bid if it was only interested in a joint venture with one of Thyssen's divisions. Since Krupp's banks, Deutsche and Dresdner, both have representatives on Thyssen's supervisory board, covert arm-twisting could presumably have delivered that much.

A more plausible explanation is that the bid is real enough, but that enormous political pressure - from Chancellor Helmut Kohl down - has forced the companies reluctantly into talks. The proposed joint venture in steelmaking is, however, a second-best solution. It would still lead to the bulk of the job losses the politicians are fretting about. But it would not bring the improved market positions and cost savings in automotive parts, machine tools and trading - accounting for two-thirds of combined turnover - of a full merger. It would be no surprise, therefore, to find that talks end without agreement, allowing the bid to resume.

That would certainly be in the interests of shareholders in both companies, and of the German market in a wider sense. The danger is that Deutsche and Dresdner, which have so far boldly supported Krupp, get cold feet and some cosy deal is stitched up behind closed doors.

Investors banking on Cable and Wireless being taken over at a fancy price may be disappointed. True, some form of alliance between C&W and France Telecom/Deutsche Telekom - possibly involving minority stakes - is possible. But a full takeover seems improbable. Mr Dick Brown clearly enjoys running C&W and even a friendly merger would be tricky, as last year's failed talks with British Telecommunications show.

The more interesting speculation is whether C&W could emerge at the centre of a web involving not only the French and Germans but also Sprint, the US long-distance operator, and other US telecoms groups. The French and Germans' 20 per cent stake in Sprint may not be enough to secure a long-term relationship - one of the large US local carriers, which are being allowed into the US long-distance



cial profit from the same infamously pension transaction.

All this is rather rum. If the company was using US accounting, would have reported a FF34bn loss last year. Does that matter? Really - so long as prospect shareholders are aware of how accounting will affect future cash flow. One effect is that net debt v shoot up in 1997 - from FF70bn around FF7100bn. Another is a future earnings will substantially overstate cash flow, because asset writedown will suppress depreciation charges and the on going cost of the early retirement will not appear in the profit loss statement. Presumably all this will be clearly pointed out in Ms FF30bn-FF760bn share sale.

UK economy

For Britain's inflation hawks, yesterday provided a triple whammy: unwavering data. A rebound in sales and a sharp drop in unemployment sound worrying enough, but was the jump in average earnings which really put the wind up the market. Optimists say much of that probably reflects the one impact of this year's stonking bonus season. If this sounds a little too parochial to be convincing, it may be because it is. It can explain why December's earnings data have also been revised upwards. And although it is that pay settlements seem to well battered down, the other d ers of pay growth - like performance pay and promotion - car just as worrying for inflation.

Against this backdrop, not does the Bank of England's demand for a quarter-point rate rise well-justified but it is also difficult to believe the Bank's demands stop there. Moreover, assuming Labour wins the election, its for credibility suggests it is more likely to implement recommended tightening than a confrontation.

Such a scenario looks distinctly healthy for sterling and not a bad for Britain's underpriced g But for equities it is much promising. Not only will rate hit demand, squeeze cashflow strengthen the currency but, if latest data are anything to go low price inflation coupled a growing pay pressures looks news for margins.

Additional Lex column on Kingfisher, Page

Krupp's bid

Continued from Page 1

provided a chance to protect jobs - and made a point of praising the two groups for seeking to restructure without seeking subsidies.

Trading in the groups' shares, which were suspended after Krupp's bid, will resume today. Krupp's cash bid is for DM45 per Thyssen share - a 25 per cent premium on Monday's closing price.

It is unclear what shape a joint steel venture could take.

Competition hits bank margins

Continued from Page 1

this environment that credit standards are maintained.

The competition is not limited to bond issues. Fees to lead manage Latin American equity offerings - such as Morgan Stanley's 1.5 per cent bid to manage an offering of shares by Unibanco of Brazil - are also falling.

Mr Mulford said low margins risked weakening bank commitments to deals. "Where

I think the problems lie is that it has become so competitive among the banks that at the first sign of trouble, banks will find that they have overreached themselves in terms of the fees at which they'll do transactions," he said.

But bankers said intense competition for business was not a feature of Latin America alone. In the US too, loans to companies were being made under terms increasingly favourable to borrowers.

Europe today

Southern Scandinavia will be dry with sunny spells. A series of disturbances will bring unsettled conditions to the UK, as well as north-western and central Europe. Scotland and eastern England will have the most rain. Ireland will be dry with sunny spells in the north.

It will be cloudy in central Europe from the Benelux and northern France to Ukraine and Greece. Snow will fall in the Alps above 1,000m. The southern Balkans and Ukraine will have heavy rain.

Rain will spread east towards western Turkey later but the plains and south will stay dry.

The Iberian peninsula and most of Italy will be fine.

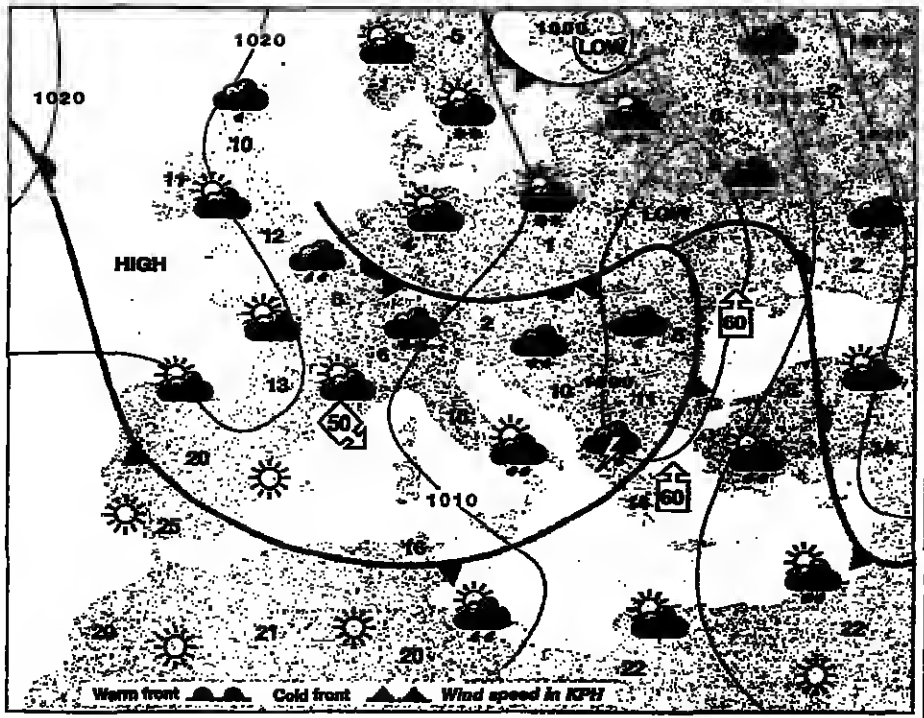
Five-day forecast

North-western Europe will remain unsettled with some rain on Saturday. Heavy snow will build up in the northern Alps over the next few days.

South-eastern Europe will be unsettled.

TODAY'S TEMPERATURES

Madrid	10	Barcelona	14	Paris	10	London	10	Rome	14	Stockholm	10	Helsinki	10	Moscow	10	Beijing	10	Tokyo	10	Sydney	10	Auckland	10
Abu Dhabi	24	Doha	24	Manama	24	Bahrain	24	Amman	24	Baghdad	24	Tripoli	24	Nairobi	24	Accra	24	Lagos	24	Abuja	24	Harare	24
Algiers	24	Casablanca	24	Madrid	24	Barcelona	24	Paris	24	London	24	Rome	24	Stockholm	24	Helsinki	24	Moscow	24	Beijing	24	Tokyo	24
Amsterdam	24	Berlin	24	Dallas	24	Houston	24	Los Angeles	24	San Francisco	24	Seattle	24	Portland	24	Denver	24	Phoenix	24	San Diego	24	Los Angeles	24
Athens	24	Bombay	24	Calcutta	24	Delhi	24	Dubai	24	Manila	24	Seoul	24	Singapore	24	Taipei	24	Tokyo	24	Yokohama	24	Osaka	24
Atlanta	24	Brussels	24	Budapest	24	Chengdu	24	Chongqing	24	Dubai	24	Dubrovnik	24	Edinburgh	24	Kuala Lumpur	24	London	24	Lyons	24	Madrid	24
Bangkok	24	Beijing	24	Bombay	24	Buenos Aires	24	Calcutta	24	Chengdu	24	Chongqing	24	Dubai	24	Dubrovnik	24	Edinburgh	24	Kuala Lumpur	24	London	24
Berkeley	24	Bombay	24	Buenos Aires	24	Calcutta	24	Chengdu	24	Chongqing	24	Dubai	24	Dubrovnik	24	Edinburgh	24	Kuala Lumpur	24	London	24	Lyons	24



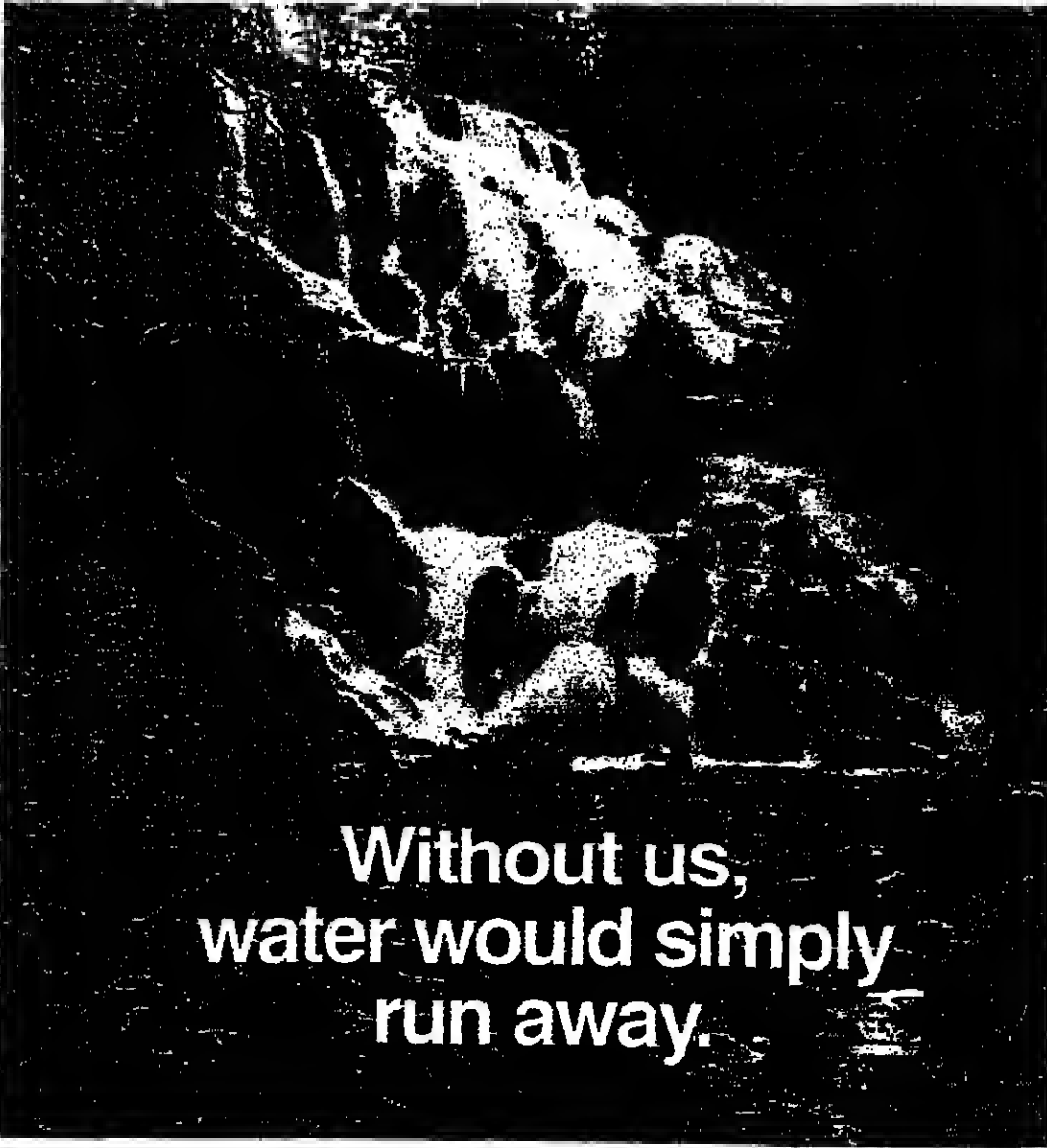
FT WEATHER GUIDE

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Madrid	10	Barcelona	14	Paris	10	London	10	Rome	14	Stockholm	10	Helsinki	10	Moscow	10	Beijing	10	Tokyo	10	Sydney	10	Auckland	10
Abu Dhabi	24	Doha	24	Manama	24	Bahrain	24	Amman	24	Baghdad	24	Tripoli	24	Nairobi	24	Accra	24	Lagos	24	Abuja	24	Harare	24
Algiers	24	Casablanca	24	Madrid	24	Barcelona	24	Paris	24	London	24	Rome	24	Stockholm	24	Helsinki	24	Moscow	24	Beijing	24	Tokyo	24
Amsterdam	24	Berlin	24	Dallas	24	Houston	24	Los Angeles	24	San Francisco	24	Seattle	24	Portland	24	Denver	24	Phoenix	24	San Diego	24	Los Angeles	24
Athens	24	Bombay	24	Calcutta	24	Delhi	24	Dubai	24	Manila	24	Seoul	24	Singapore	24	Taipei	24	Tokyo	24	Yokohama	24	Osaka	24
Atlanta	24	Brussels	24	Budapest	24	Chengdu	24	Chongqing	24	Dubai	24	Dubrovnik	24	Edinburgh	24	Kuala Lumpur	24	London	24	Lyons	24	Madrid	24
Bangkok	24	Beijing	24	Bombay	24	Buenos Aires	24	Calcutta	24	Chengdu	24	Chongqing	24	Dubai	24	Dubrovnik	24	Edinburgh	24	Kuala Lumpur	24	London	24
Berkeley	24	Bombay	24	Buenos Aires	24	Calcutta	24	Chengdu	24	Chongqing	24	Dubai	24	Dubrovnik	24	Edinburgh	24	Kuala Lumpur	24	London	24	Lyons	24

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WORLD LEADERSHIP IN SPECIALISED ENGINEERING

For further information about the TI Group, contact the Department of Public Affairs, TI Group plc, Lambourn Court, Abingdon, Oxon OX14 1UH, Eng.

COMPANIES AND FINANCE: EUROPE

EUROPEAN NEWS DIGEST

AssiDomän upbeat on Russian plant

AssiDomän, the Swedish forestry group, said yesterday it hoped to restart production soon at Segezhabumprom, the Russian paper sack plant it partly owns, after suspending operations earlier this month over problems in raising investment finance. Assi closed the mill in a dispute with the regional Karelian and Russian federal authorities over unresolved tax and operating issues, which hampered plans to raise \$100m-\$120m from international lenders for plant modernisation.

Assi has management control of Segezhabumprom through its 50 per cent stake in Stratton Paper, controlled by Mr Michael Dingman, a Bahamas-based entrepreneur. Stratton Paper bought a 57 per cent holding in Segezhabumprom last year. Assi said talks with the regional government had settled differences over tax, pension liabilities and local logging rights. Negotiations were being planned with Russia's federal authorities and Assi was optimistic production could resume soon. The 30,000 inhabitants of Segezha, the nearby town which relies on the mill for district heating, have been without heating for a week.

Greg McIvor, Stockholm

Schering sees 10-15% rise

Schering, the German pharmaceuticals company, said yesterday it expected profits this year to rise 10-15 per cent. Sales are forecast to rise 14 per cent to more than DM6bn (\$3.7m). Mr Klaus Pohle, chief financial officer, said Schering expected strong growth from its traditional businesses in fertility control, hormone therapy and therapeutics. The group's diagnostics business, which is facing considerable price pressure, was expected to grow only slightly.

Schering forecast a 10 per cent rise in sales of its Beteferon multiple sclerosis treatment, which is sold in the US under the name Betaseron, to DM630m. The strong dollar would continue to benefit Schering in 1997, Mr Pohle said. In 1996 the weakening of the D-Mark against the dollar boosted Schering, although these gains were partly offset by the weakness of the yen. Sales in 1996 rose 12 per cent to DM5.27bn, while pre-tax profits rose 46 per cent to DM862m.

Frederick Stüdemann, Berlin

AC Milan prepares float

AC Milan, the Italian football club owned by Mr Silvio Berlusconi, the media tycoon and former prime minister, yesterday confirmed it was considering a listing on the London Stock Exchange. However, the club said it wanted to prepare carefully the flotation, which was unlikely before 1998. AC Milan is among several Italian first division football clubs attracted to the London market by the strong demand among City investors for football shares. The club last year considered a listing on the Milan bourse, but had to abandon the plan because it could not meet the necessary Italian stock exchange requirements of three consecutive years of profits.

Paul Betts, Milan

Swiss bankers leave Sulzer

Two senior executives of Union Bank of Switzerland and Credit Suisse are stepping down from the board of Sulzer, the Swiss engineering group. Sulzer said Mr Mathis Caballavetta, UBS chief executive, and Mr Rudolf Hug, a senior executive of Credit Suisse, were retiring. It said their moves were unrelated to a decision to award the SFR25m (\$2.8bn) stock market flotation of Sulzer Medica, its crown jewel, to SBC Warburg, the investment banking arm of the smallest of the big three Swiss banks, SBC Warburg and Morgan Stanley, the US investment bank, will lead-manage the initial public offering of up to 25 per cent of Sulzer Medica's shares on the US and Swiss stock markets later this year.

William Hall, Zurich

Telenor favoured for Greece

Telenor, the Norwegian telecoms operator, has emerged as favoured bidder for a 30 per cent stake in Cosmote, a new state-owned mobile operator which plans to launch Greece's third cellular network in September. Telenor was judged weaker on technical grounds than Orange, of the UK, the favoured contender, but the Norwegians' financial bid of Dr27bn (\$4.21bn) was so far ahead of the Dr20.7bn offered by Orange that it swayed the balance, analysts said.

The third short-listed candidate, AirTouch of the US, was eliminated because it failed to provide all the financial and legal documents needed for the bid, officials said.

Kerin Hope, Athens

Poland mulls telecoms sales

Poland may see two big telecommunications public offers next year. The government plans to start the sale of Telekomunikacja Polska, the state-owned telecoms operator, in the third quarter, while RP Telekom, a private fixed-line company valued at \$14m, aims to go public by next spring. Earlier this week GE Capital, of the US, Nissho Iwai, the Japanese trading house, and Matav, an Israeli cable-TV operator, each agreed to buy an 11 per cent stake in RP Telekom, which owns operating licences covering one-quarter of Poland's population.

Christopher Bobinski, Warsaw

Danes award phone licences

France Telecom, the French telecommunications group, and Telia, of Sweden, were among four companies awarded licences yesterday by the Danish Tele Agency to set up and operate DCS 1800 cellular phone systems. The two other licences went to Denmark's partly-privatised operator Tele Danmark and the private operator Sonofon. The DCS 1800 system is built on GSM technology but using new frequencies to make room for more operators.

Hilary Barnes, Copenhagen

Austrian banks merge

First Austrian Savings Bank yesterday completed its takeover of Girocredit in the second large bank merger in Austria this year. First Austrian acquired 56 per cent of Girocredit for Sch8.24bn (\$697m) from a foundation close to Bank Austria, which had to sell the unit in order to get approval for the takeover of Creditanstalt in January. The price was Sch400 a share, which is what Bank Austria paid two years ago, but the actual cost is reduced by a clause postponing payment until next year. The purchase raised First Austrian's total stake from 26 per cent to 82 per cent.

Separately, Creditanstalt said its current managing board would remain in office until the end of April, when a new board will be appointed by Bank Austria, the majority owner. Mr Guido Schmidt-Chiari, chairman, and the rest of the board resigned last week.

Eric Frey, Vienna

Adecco ahead 17%

Adecco, the world's largest temporary employment agency, increased its net income before amortisation of goodwill by 17 per cent to SF7241m (\$167.2m) in 1996. The group, which was formed from last year's merger of Adia of Switzerland and Ecco of France, said that difficult business conditions in France had been offset by a 28 per cent growth in revenues in the rest of Europe. Total revenues grew by 12 per cent to SF8.5bn with a 21 per cent rise in revenues in North America and a 18 per cent gain in the Asia-Pacific region. However, under US GAAP accounting rules it reported a SF11.1m loss after changing SF191.8m of goodwill amortisation and SF21.3m of merger related costs.

William Hall

Market principles take back seat

Goldman Sachs in new role

By John Gapper, Banking Editor

The role played by Goldman Sachs, the US investment bank, in Krupp Hoesch's hostile approach to Thyssen is unusual for the US firm, which has tended to associate itself with defences against hostile bids. Although it has recently shown a willingness to stick with long-standing corporate clients in the US that launch hostile bids - such as Newmont Mining's bid for Santa Fe Pacific Gold - its reputation is built on defences.

This was the basis of its strong growth in mergers and acquisitions in Europe under Mr John Thornton during the late 1980s.

Although it still prefers to defend its clients rather than launch hostile approaches, Mr Jon Corzine, Goldman chairman, has indicated it will take a more flexible approach.

Thyssen has appointed four foreign investment banks to defend it: Morgan Stanley and J.P. Morgan of the US, and SBC Warburg and Credit Suisse First Boston, of Switzerland.

Peter Norman



'Future instead of notice': Thyssen steelworkers take to the streets of Duisburg

Yesterday's developments following the Krupp Hoesch bid for its bigger steel and engineering rival Thyssen were a reminder of how far modern Germany has diverged from the market-oriented principles of Ludwig Erhard, its second chancellor and father of the post-war economic miracle.

Chancellor Helmut Kohl's condemnation of the hostile Krupp Hoesch bid, and the announcement by the Social Democrat-led government of North Rhine-Westphalia that the two protagonists had been persuaded to discuss a friendly merger of their steel interests, underlined the aversion of German politicians to policies of confrontation.

Chancellor Kohl came to office in 1982 with the promise of a market-oriented revitalisation of the German economy after 13 years of government by a left-liberal coalition of the Social Democrat and Free Democrat parties. However, he has placed growing stress in his years of power on the "social" aspect of Germany's "social market economy". He has always stressed with pride how this distinguished him and his government from the more radical approach of Mrs (now Lady) Thatcher.

when UK prime minister.

A year ago, it appeared that Mr Kohl might be prepared to give Rhenish capitalism a sharper edge. Plans for deregulation and cutting Germany's high non-wage labour costs formed an important part of last April's "programme for more growth and jobs", which was intended to facilitate an ambitious halving of unemployment by 2000.

Today, with unemployment at a record 4.87m - 400,000 higher than a year ago - the government is

instead inclined to take the line of least resistance when tackling difficult social and economic problems.

A case in point was last week's settlement with the miners, where Mr Kohl decided to slow an already protracted run-down of Germany's uneconomic pits in the interests of social harmony. Germany, in spite of its inability to meet the Maastricht treaty's deficit and debt criteria last year, will spend more than DM68bn (\$40.51bn) of taxpayers' money by 2005 on keep-

ing alive a dying industry with 45,000 workers.

In a further departure from market principles, the Bonn cabinet on Tuesday agreed that the state-owned banks Kreditanstalt für Wiederaufbau and Deutsche Ausgleichsbank should issue DM20.5bn of loans with interest rates of up to 4 percentage points below those charged by commercial banks in an attempt to boost the construction industry.

The government chose to ignore Mr Hans Tietmeyer, president of the Bundes-



1996 Net Income: FF 2.7 billion. From Recovery to Growth

Paris, March 18, 1997 - On March 17, 1997, Serge Tchuruk, CEO, presented the Group's audited financial statements for the year ending December 31, 1996; to Alcatel Alsthom's Board of Directors and reviewed the progress made in the recovery plan.

Net income for 1996 amounted to FF 2.7 billion, slightly higher than estimates communicated on January 30.

Alcatel Alsthom returned to profitability in 1996 due to the beginning of the recovery in the Telecom segment and capital gains realized from the non-strategic asset disposal program. These results are in line with the action plan put into place in the second half of 1995, the main objective of which was to restore Alcatel Alsthom's financial performance by 1998.

In view of these results and the outlook as seen today, the Board of Directors will propose to the Annual Shareholders' Meeting on June 19, 1997, a dividend of FF 10.00 per share, to be paid in cash, compared to FF 8.0 per share the previous year, representing a total dividend per share of FF 15.00, including tax credit.

1996 Results

Net sales amounted to FF 162.1 billion in 1996, compared to FF 160.4 billion in the previous year, an increase of 1% over 1995. On a comparable basis, sales were stable compared to the previous year.

Research and development expenses amounted to FF 18.6 billion, representing 10.2% of sales, the same level as last year.

Income from operations, calculated before financial results, reached FF 2.9 billion, compared to FF 0.6 billion in 1995. While showing progress, the level of income from operations remains relatively low and confirms the need to continue the vigorous actions undertaken for the Group's recovery within the established time frame.

After taking into account financial charges, restructuring costs, amortization of goodwill, and capital gains realized from the program of disposal of non-strategic assets, income before taxes amounted to FF 2.7 billion compared to a loss of FF 26.0 billion in 1995.

The objective of raising FF 10.0 billion resulting from asset sales was exceeded with the sale of FF 11.0 billion of assets in 1996, in addition to the FF 1.0 billion sold in the second half of 1995. Also, the partial disposal of the Group's participation in Havas was announced at the beginning of 1997, for an amount at least equal to FF 3.4 billion.

Income taxes amounted to FF 0.7 billion in 1996, compared to FF 1.2 billion in 1995. Share in net income of equity affiliates amounted to FF 1.0 billion compared to FF 0.2 billion in 1995. Net income, after minority interests, amounted to FF 2.7 billion compared to FF (25.6) billion in 1995.

The Group's net financial debt decreased to FF 13.1 billion in 1996 from FF 20.0 billion in 1995, after taking into account the disposal of Cofira. Gearing stood at 32% (before appropriation) compared to 61% in 1995, reflecting the return to a low level of debt.

Segment Analysis

Telecom

The recovery in orders in the Telecom segment (+21% over the previous year) reflects the Group's repositioning in strong growth markets such as transmission, access, mobile infrastructure and space. Sales increased by 6%. Following operating losses in 1995 and in the first half 1996, income from operation returned to a positive level in the second half of the year as indicated in earlier forecasts. For the full year, income from operations amounted to FF (0.3) billion compared to FF (3.3) billion in 1995. This recovery integrates the initial effects of productivity efforts achieved. At the same time, the reorganization of the segment by product line division has resulted in a much more efficient marketing approach.

Cables

Sales of the Cables segment decreased by 3% at a comparable structure and constant copper prices. The business was characterized by growth in the fiber optic, data, and high frequency cables sectors, however, a significant loss was incurred in submarine cables. Income from operations amounted to FF 2.1 billion compared to FF 2.3 billion in 1995.

GEC Alsthom

GEC Alsthom's sales increased by 2% in 1996 and included for the last three months of the year the Power Transmission and Distribution activities acquired from AEG. Income from operations amounted to FF 1.4 billion compared to FF 1.3 billion in 1995. GEC Alsthom maintained its level of profitability, one of the highest in its industry.

Systems

Sales in the Systems segment increased by 11%, half of which is attributable to the consolidation of AEG's Systems and Automation activities during the last three months of the year. Income from operations amounted to FF (0.2) billion compared to FF (0.4) billion in 1995. This segment is profitable excluding Alcatel Siette (Italy), where losses have nevertheless decreased.

The Batteries segment sales increased by 12% over the previous year. Income from operations amounted to FF 0.3 billion compared to FF 0.2 billion in 1995.

1997-1998 Strategy and Objectives

Parallel to the restructuring plans in progress, 1997 will be oriented to pursuing other actions to improve productivity: simplifying the Group's organization and its legal structure, optimizing real estate holdings, and reinforcing internal controls, particularly the centralization of the Group's treasury. The reduction of fixed costs which should be realized from these actions should allow annual savings of approximately FF 1.0 billion. In addition, the coordination of purchasing activities will be intensified.

As a result of actions taken during the last months and the policy of maintaining research and development efforts, the Group is now positioned to benefit from the expected growth in the telecommunications market, resulting, in particular, from the very high demand in mobile communications and the explosion of the Internet.

Alcatel possesses both specific and complementary strengths which give it a decisive advantage: the world's largest installed switching base, a leading position in synchronous transmission in Europe as well in the United States, the most complete line of access products, a strong presence in telecommunications satellites, and the world leadership in submarine cables. In all of these businesses, profitability should improve as a result of volume increase and the launch of new products benefiting from a more favorable cost structure.

In the Cables segment, the telecommunications cable markets (fiber optics, data cables, high frequency and mobile accessories) should continue to grow significantly due to the continuing demand in Europe and the United States.

The actions, already achieved or in progress, as well as our knowledge of developments in the Group's main markets, underpin the objective of a return to a satisfactory level of profitability by 1998.

"Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995: This press release contains forward-looking statements relating to the Group's expectations for improvement in profitability for 1997 and 1998. Such expectations assume that (I) efforts to simplify the Group's organization and increase internal controls will reduce fixed costs by FF 1.0 billion, (II) the Group will benefit from growth in the telecommunications market, and (III) the Group's sales volume will increase in several product markets. Actual results could differ materially from the above as a result of these or other factors.

COMPANIES AND FINANCE: EUROPE

La Générale dismisses speculation

By Neil Buckley in Brussels

Any merger of French utility Lyonnaise des Eaux and Compagnie de Suez would not harm Belgian economic interests, insisted Société Générale de Belgique yesterday.

La Générale, Belgium's most powerful holding company which is majority-owned by Compagnie de Suez, also dismissed speculation that its Générale de Banque unit, the country's biggest bank, was about to merge with rival to create a "Grande Banque Belge", strong enough to compete internationally in a single-currency Europe.

The Belgian government has expressed serious concerns that a merger of France's Suez - which owns 63 per cent of La Générale - with Lyonnaise could create a conflict of interests with La Générale's biggest investment, the Tractebel utility group. Tractebel dominates

the Belgian energy sector through sizeable stakes in electricity and gas monopolies.

Mr Etienne Davignon, La Générale chairman, insisted that while such a merger would lead to integration of accounts, it would not affect its decision-making independence nor that of Tractebel.

He added that the Belgian government exercised strong regulatory controls over Electrabel, the electricity monopoly of which Tractebel controls 44 per cent, enabling it to fend off any interference.

"The public authorities of this country are doing their duty when they ask questions about the future of significant companies based in Belgium," Mr Davignon said. But he believes we can put their fears to rest.

Mr Davignon stressed that a Suez/Lyonnaise merger remained a "hypothesis not a fact", and had not been discussed by the Suez board, of

which he is a member.

But he said Suez's current status as a pure holding company was unusual, since for much of its history it had had direct operational activities.

Acquisition of operating interests, through a merger with Lyonnaise, would be "in the tradition of Suez and not a novelty".

He added that it was inevitable that observers might suspect a "hidden agenda" in a Suez/Lyonnaise merger - the opportunity for Lyonnaise to take control of Tractebel. But he said the overlap between the two utility groups' activities was only 5 per cent.

Tractebel's move to merge with its partly-owned subsidiary Powerfin, the vehicle for its international expansion activities in recent years, would also help it defend its independence, Mr Davignon added.

The issue of new Tractebel shares in its three-for-one

share swap with Powerfin would result in dilution of La Générale's holding in Tractebel from 65 per cent to just over 50 per cent, as well as strengthening its international expansion capacities.

On the creation of a Belgian "mega-bank", Mr Davignon said he was surprised at the speculation that has swept through Belgian financial markets in recent weeks.

In spite of Générale de Banque chairman Mr Ferdinand Chaffart's comments last week that he remained "open to the idea" of a merger, Mr Davignon said there had been no contacts between the bank and the most likely merger candidate, Banque Bruxelles Lambert, since last summer.

La Générale announced an 11 per cent increase in 1996 consolidated net profits to FF11.09bn (US\$320.4m), with strong increases in the contribution of both Tractebel and Générale de Banque.



Etienne Davignon: 'We can put their fears to rest'

INTERNATIONAL NEWS DIGEST

JCI to review group structure

JCI, the South African mining group sold by Anglo American to a consortium of black investors, has begun a strategic review of its traditional mining house structure. Mr Mzi Khumalo, who took over as chairman on Monday, said he would examine the future of all the group's assets, which span coal and base metals, gold, chrome and financial investments. The review was intended to achieve "the best returns over a four to seven-year period", he said.

The weak rand had buoyed the contribution to group earnings from gold, from 14 per cent to 30 per cent in the six months to December 31. Coal and base metals contributed 39 per cent over the same period, compared with 23 per cent from financial investments and 8 per cent from chrome. "We will take out the financial investments," Mr Khumalo said in an interview. He refused to speculate on the future of the other operations. His African Mining House has battled to finance the acquisition of a controlling 37 per cent stake in JCI, which it purchased in November for R2.5bn (\$637m), a premium of about 10 per cent to the market price. Mr Khumalo criticised "a short-term approach among local institutions. We have 84m oz of gold reserves but everyone is asking what the share price will be in December", he said.

The purchase will be financed by the issue of new shares in Safite, the life insurer which is part of Mr Khumalo's Capital Alliance, a diversified financial services group. JCI reported a robust performance in the six months to December 31. Total income rose by a quarter to R244m. Earnings per share increased from 111 cents to 115 cents. The interim dividend was 1 cent higher at 25 cents.

Mark Ashurst, Johannesburg

Pernod Ricard ahead

Pernod Ricard, the French wine and spirits company, said yesterday 1996 net profit rose 7.9 per cent to FF1.19bn (\$210m) from FF1.1bn in 1995, largely on a reduction in financial charges. The figures were in line with analysts' expectations. It said financial charges in 1996 fell 23 per cent to FF208m from FF271m. Operating profit, calculated before financial charges, only rose 3.4 per cent to FF1.94bn from FF1.87bn in 1995. Pernod Ricard said 1996 sales, which grew 5.5 per cent to FF16.81bn, were helped by a general rise in foreign currencies compared with the French franc. The net effect of acquisitions and divestitures in 1996 cut FF118m from sales. Sales were evenly divided between alcoholic and non-alcoholic beverages. By geographic breakdown, 38 per cent of sales were in France, 42 per cent in the rest of Europe and 20 per cent in the rest of the world.

AP-DJ, Paris

Orange, blue and back to black at Alcatel

It is not only in its shape that Alcatel Alsthom's new bid for Thomson-CSF, the French defence electronics giant, differs from last year's offer for the entire Thomson group. The style of its presentation will be radically different as well.

This became clear this week when the French telecoms and engineering group used its annual results presentation to deliver a slick 32-page pamphlet - in tasteless blue and orange - on its plans for Thomson-CSF.

It recently confirmed it would make a joint offer for

the company with an arm of Dassault, the aircraft maker. Bidders are being asked to make preliminary offers by March 28.

Last year, Mr Serge Tchuruk, Alcatel chairman, said virtually nothing about the group's plans for Thomson for almost six months after making public his interest in a possible takeover.

As this week's document made clear, the two bidders are still proposing that Aerospatiale, the state-owned aircraft maker expected soon to merge with Dassault, should join in their

plans after Thomson-CSF has been privatised.

The French authorities this month excluded Aerospatiale from being a candidate in the Thomson-CSF sale, either alone or in a joint bid, in a move initially portrayed as a blow to Alcatel.

Mr Tchuruk had earlier indicated Alcatel was in talks with Aerospatiale and Dassault to mount a joint Thomson bid.

But the Alcatel chairman has asserted he was "not at all astonished" at Aerospatiale's exclusion. Had the state-owned entity been

cleared to proceed in a joint bid with the two private companies, he argued, it would have meant the government had in effect, decided which bid to choose.

If the Alcatel-Dassault bid were successful, Mr Tchuruk said, the company would be "very open" to "targeted" joint ventures with other European defence companies, such as GEC of the UK and DASA of Germany.

He seemed pessimistic about prospects for a rapprochement with Lagardère, the other expected bidder for Thomson-CSF. The missiles-

to-magazines conglomerate last year appeared to have won the deal for Thomson, but the sale was suspended after an independent commission rejected the terms of its offer.

Mr Tchuruk made his comments as Alcatel unveiled a strong recovery in net profits, to FF2.7bn (\$477m) from a loss of FF255.6bn in 1995. Last year's figures included FF23.1bn in exceptional provisions and depreciation charges from a restructuring programme launched in 1995. Operating income

surged from FF600m to FF2.9bn, on sales that edged up from FF160.4bn to FF162.1bn.

The company plans a dividend of FF10 a share, after FF8 last year.

The core telecoms unit remained in the red on significantly higher sales, but the operating loss was cut from FF3.3bn in 1995 to FF2.6bn.

Net debt fell sharply from FF20bn to FF13.1bn, helped by the disposal of FF11bn of assets. Gearing was cut from 61 per cent to 32 per cent.

David Owen

Bic ahead 14% despite sharp rise in charges

By Andrew Jack in Paris

Bic, the French disposable pens, lighters and shavers group, yesterday reported net income up 14 per cent to FF844m (\$120.7m) for 1996 in spite of a sharp rise in exceptional charges.

Net sales rose 6 per cent to FF6.4bn, and operating profit by 15 per cent to FF1.2bn in spite of a rise in marketing, commercial and research and development expenditure in the Bic division. There were increased losses and a sharp drop in sales at its sailboard subsidiary.

The Bic division, which encompasses its principal products, reported an increase of 8 per cent to FF6.1bn in sales, of which 2

per cent was the result of exchange rate fluctuations, especially the rise in the value of the dollar against the franc.

Sales growth was "moderate" in Europe, "reasonable" in South America and stronger in North and Central America.

Turnover in the Guy Laroche luxury clothing division dropped from FF328m to FF253m, and operating losses increased from FF44m to FF45m, partly because of the closure of the Gaston Jauret prêt-à-porter business.

The group took a FF68m charge for restructuring in Brazil, and to cover its Guy Laroche operations, compared with FF38m last time, when the costs were mainly related to the

buy-back of minority shareholders in Bic Corporation of the US.

The charges were offset by an exceptional gain of FF55m from interest payments and the refund of stamp duties paid in prior years by Bic on increases in its share capital.

Interest income fell 37 per cent to FF66m, reflecting the fall in interest rates.

The group said there would be a final dividend of FF6 a share payable in July, on top of an interim dividend of FF5 paid in January.

Bic said the German authorities had recently approved its acquisition of Tipp-Ex, the "liquid paper", competing fluid group, acquired in January for an undisclosed sum.

TOTAL

1996

CONSOLIDATED FINANCIAL STATEMENTS AND DIVIDEND

NET INCOME BEFORE NON-RECURRING ITEMS INCREASED BY 52 PERCENT
NET INCOME UP BY 151 PERCENT
EARNINGS PER SHARE INCREASED BY 49 PERCENT TO 23.50 FRANCS
CASH DIVIDEND INCREASED BY 21 PERCENT TO 10.50 FRANCS PER SHARE

The Board of Directors of TOTAL, chaired by Thierry Desmarest met on March 18, 1997, to review the 1996 consolidated financial statements and to close the accounts of the parent company, TOTAL S.A.

CONSOLIDATED ACCOUNTS

Consolidated results were in line with estimates released by the Board following its meeting on January 28, 1997. Sales increased by 36 percent compared to 1995. Operating income rose to FF 10.2 billion, a 37 percent increase versus 1995. Net income (Group Share) rose to FF 5.5 billion, an increase of 151 percent versus 1995 and an increase of 52 percent versus 1995 net income before non-recurring items. There were no non-recurring items in 1996, while in 1995 non-recurring items had a negative impact of FF 1.5 billion.

Earnings per share, calculated on a fully-diluted weighted-average number of 240.4 million shares, rose to FF 23.50 in 1996, an increase of 49 percent versus the 1995 earnings per share before non-recurring items. The increase in operating income due to a favourable oil environment, growth and productivity.

The operating environment saw some improvement in 1996. The three main parameters for TOTAL (crude oil prices, European refining margins, and the exchange rate for the dollar) improved, albeit with high volatility for both oil prices and refining margins. Crude oil prices advanced and the average Brent price rose to 520.7/b versus 517.04/b in 1995. Average European refining margins rose to \$13.6/b versus \$11.4/b in 1995. The dollar appreciated slightly relative to the French franc to an average of 5.12 FF/\$ in 1996 versus 4.99 FF/\$ in 1995. Taken together, these external environmental factors had a positive impact on the Group's operating income of FF 2.0 billion.

Excluding the effect of the environment, growth and productivity gains increased operating income by FF 1.6 billion. An increase in exploration expenses had a negative impact of FF 0.5 billion. Operating income in 1996 includes a charge of FF 0.5 billion for the application of FAS 121 to certain non-operated producing fields in the North Sea. Excluding the FAS 121 impact, operating income rose to FF 10.7 billion versus FF 7.4 billion in 1995, an increase of FF 3.3 billion.

All segments contributed to the improvement in Operating Income. Upstream showed the strongest growth of the three sectors in 1996. Production grew by 13 percent to 702 mboe/d, including 510 mboe/d of liquids and 252 mboe/d of gas. Production outside the Middle-East grew by 24 percent and now represents 62 percent of the Group's total production.

TOTAL's ongoing production growth is complemented by continuing growth in its hydrocarbon reserves, which currently represent 16.7 years of production based on the 1996 production level. For the first time, the majority of the Group's reserves are now located outside the Middle-East, representing 2,552 million boe from total reserves of 4,638 million boe.

Downstream Improvement The Downstream sector benefited from an

improvement in European refining margins but suffered the negative impacts of a retail price war in the United Kingdom and a decline in the price of aromatics. In this relaxed environment, the sector's operating income improved by 18 percent.

TOTAL has continued with its cost-reduction efforts, particularly for the refinery break-even point, and is continuing to pursue the expansion of its marketing activities in Africa, the Mediterranean Rim and Asia.

Continuing growth of Specialty Chemicals The Chemicals sector's sales increased by 14 percent and its operating income increased by 15 percent. This increase reflects the expansion of Hutchinson and in the coatings divisions from acquisitions and internal growth.

A Solid Financial Position Cash flow increased by 37 percent to FF 15.4 billion versus FF 11.3 billion in 1995. Consolidated equity, together with minority interests, grew to FF 62.8 billion at year-end 1996 versus FF 56.2 billion at year-end 1995. The net-debt-to-equity ratio remained stable at 18 percent. Also, the French State reduced its interest in TOTAL, to less than 1 percent by placing into the market 9.5 million shares in February 1996.

Investments in 1996 increased to FF 16.4 billion or 31 percent over the 1995 level. The level of investment for the Upstream sector grew by 36 percent to FF 8.6 billion versus FF 6.3 billion in 1995. Downstream investments were down slightly to FF 8.3 billion versus FF 4.0 billion in 1995, with the bulk of these investments having been made in the marketing business. Investments in the Chemicals sector increased sharply to FF 3.9 billion in 1996 versus FF 1.8 billion in 1995. This increase stems from acquisitions made in 1996, notably by Hutchinson. Divestments were FF 9.2 billion.

Outlook for 1997 In 1997, investments are expected to rise to FF 18 billion, representing an increase of 12 percent versus 1996. More than 60 percent of this amount will be dedicated to the Upstream sector. In early 1997, the Group's operating environment remained relatively stable with an increase in the dollar versus the franc and sustained oil prices. Over the past few weeks, however, crude prices have deteriorated. The growth in oil and gas production is in line with forecasts.

New Target for Improvement In 1993, the Group set a target to increase its operating results by FF 3.6 billion over a three-year period given a constant reference environment. That target was exceeded, since the Group's operating results increased by FF 3.8 billion, excluding the effect of the environment, to 1996 versus 1993. Looking ahead, TOTAL has set a new objective to increase operating results by FF 4 billion between now and 1999 from production growth and productivity efforts, assuming a conservative constant reference environment.

TOTAL S.A. ACCOUNTS AND PROPOSED DIVIDEND

The net result of the parent company, TOTAL S.A., rose to FF 5.5 billion in 1996 versus FF 3.5 billion in 1995. The Board of Directors of TOTAL, after closing the accounts, has decided to propose at the Annual General Meeting on May 21, 1997, a 21 percent increase in the net dividend per share to FF 10.50, which has in addition the associated *avoir fiscal* tax credit of FF 5.50 per share. It will not propose renewing the option to receive the dividend in the form of

company shares. Given TOTAL's strong balance sheet and the level of cash flow, it is no longer necessary to increase the company's equity. TOTAL's shareholders can fully benefit from the company's growth without the dilution created by new shares.

The Board of Directors will also propose at the Meeting to nominate, for three-year terms as directors, Mr Daniel Bouton, Chief Executive Officer of Société Générale and Mr Bruno Ribeyron Mourenat, a manager of TOTAL.



Société Anonyme Capital Stock: FF12,106,278,400. Head Office: Tour TOTAL 24, cours Michel, Puteaux (Hauts de Seine) R.C.S. Nanterre 8 542 051 100.

Consolidated accounts

(in Millions of Francs)

	1996	1995
Sales	16,812	15,829
Operating Results	2,027	7,441
Net Income (Group Share) Before Non-recurring items	5,500	3,703
Net Income (Group Share)	5,500	2,248
Earnings per Share (in FF)	23.50	15.80
Earnings per ADR (in \$)	3.50	1.58

*Based on fully-diluted weighted-average number of shares

- (1) including the effect of application of FAS 121 in 1995 which limits the book value of assets to their market value
 (2) including non-recurring items
 (3) using the average exchange rate for the year: FF5 5.12 in 1996, FF5 4.99 in 1995

Operating income

(in Millions of Francs)

	1996	1995
Upstream	2,027	4,470
Downstream	1,259	1,300
Chemicals	1,318	1,571
Operating Income	10,202	7,441

- (1) including FAS 121 charge of FF 0.5 billion
 (2) including charge of FF 1.5 billion for the impact of application of FAS 121

Environmental factors

	1996	1995
Average Brent price	520.7	517.04
Average refining margin	13.6	11.4
Dollar/Franc exchange rate	5.12	4.99

1996 DIVIDEND CALENDAR	
May 21, 1997	Annual General Meeting
June 5, 1997	Ex-dividend and payment date (Ordinary shares)

This announcement appears as a matter of record only

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March 1997

COMPANIES AND FINANCE: THE AMERICAS

LVMH drops plan to buy rest of DFS

By Andrew Jack in Paris

LVMH, the French luxury goods group, yesterday said it had abandoned its bid to acquire the outstanding shares held by a minority investor in DFS, one of the world's biggest duty free shopping chains, in the latest twist in its bitter takeover battle.

In a curt five-line statement, the group said its board had resolved yesterday not to pursue negotiations to acquire the 38.75 per cent stake held in DFS by Mr Robert Miller, and so he and LVMH would "together continue as shareholders". It refused to make any further comment.

Its action came after the group paid FF12.6bn (\$2.2bn) to buy a 58.75 per cent stake in DFS at the end of October last year from two of its shareholders, which it subsequently

increased to 61.25 per cent after persuading a third investor to cede his stake.

The latest development comes only three weeks after LVMH, headed by Mr Bernard Arnault, stressed that it was "nearing completion" of a deal to buy Mr Miller's stake on terms similar to the terms agreed with the other investors.

It echoes similar difficulties experienced by LVMH in November last year, when it announced that it had acquired control of Chateau d'Yquem, one of the world's most exclusive and expensive wine producers, only to be contradicted by family shareholders who launched a strong counter-attack.

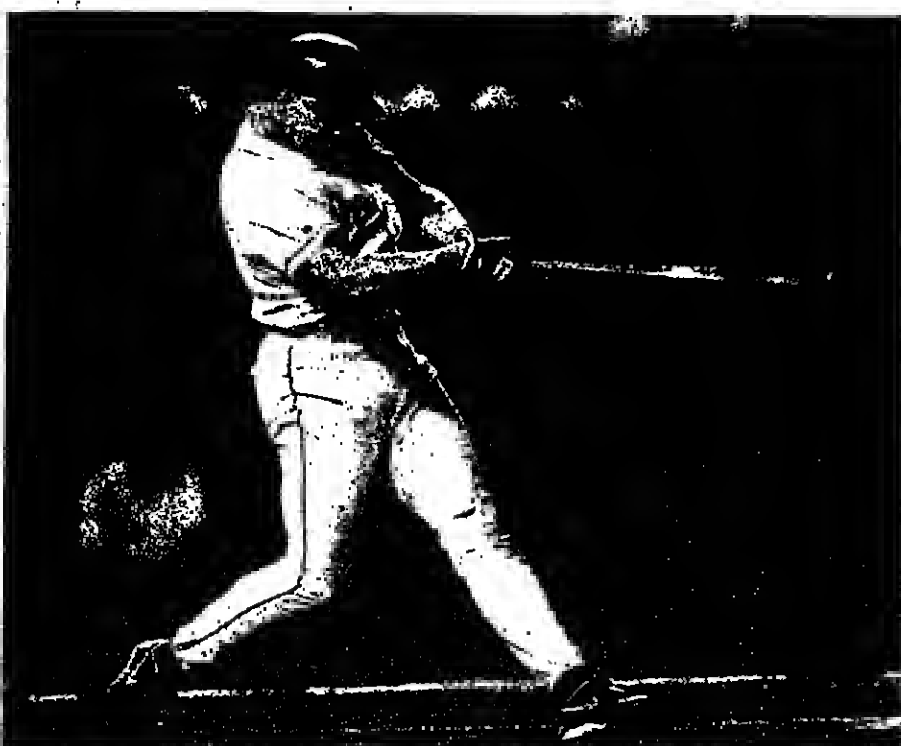
One analyst argued yesterday that LVMH was still keen to obtain full control of DFS, and that yesterday's statement might simply be part of an exercise in bluff in the continuing battle over

the price that Mr Miller would be willing to accept for his stake.

Mr Miller, a flamboyant billionaire, and Mr Anthony Pilaro, a tax lawyer who owned 2.5 per cent of the company, had originally made their own offer to buy out the two other shareholders. When LVMH's rival bid was accepted, the two investors took legal action.

They argued that the transaction violated the "wise man agreement" designed to ensure that shareholders were not also acting as suppliers to the company. Kohlberg Kravis Roberts, the US buy-out firm, also subsequently expressed an interest in bidding for DFS.

LVMH is due to report its 1996 results today. DFS published at the start of this month preliminary income from operations during the year of FF1.73bn.



Pepsi-Cola, the US drinks company, officially unveiled its five-year marketing agreement with Major League Baseball, reports AP-DJ from New York. The deal makes Pepsi the official soft drink of Major League Baseball and gives the company exclusive rights to use Major League Baseball's trademarks in advertising, packaging, merchandising and promotions. Financial terms were not released. The picture shows Cal Ripken of the Baltimore Orioles.

HSBC takes seats on Serfin board

By Daniel Dornbey in Mexico City and George Graham in London

HSBC Holdings, the international financial group which yesterday announced plans to invest \$300m in Grupo Financiero Serfin, will take three seats on the board of the troubled Mexican banking group.

HSBC's 19.9 per cent stake will show in the accounts as an investment, but the board seats indicate it intends to play a role in the management of the group, which owns Banco Serfin, Mexico's third largest bank.

Before the deal can go ahead, Serfin's balance sheet will have to be strengthened by asset and equity sales.

Together, the measures to improve Serfin imply a further dilution of more than 50 per cent for shareholders.

Asked how much the controlling shareholders' stakes had been reduced since the bank's problems erupted with the peso devaluation of 1994, Mr Adolfo Lagos, Serfin chief executive, said: "Those are masochistic numbers. We would prefer not to discuss them."

Analysts were yesterday cautious about how much difference the HSBC agreement would make to Serfin's prospects. Midway through trading yesterday Serfin's B shares had fallen 2.5 per cent to 3.4 pesos.

"This agreement does not mean that Serfin will be

profitable," said Mr José García-Cantera, head of Latin America research at Salomon Brothers in New York. "But it does mean that the bank is far from defaulting or going bankrupt."

In London, HSBC shareholders were critical in principle of the idea of a minority stake which does not carry full control, but acknowledged it was a small venture for a bank which by some estimates will have more than \$4bn (\$6.36bn) of surplus capital by the end of this year. Nevertheless, one London broker commented: "It's amazing how many sins one can mask with the comment relative to the size of the group as a whole."

Crucial to the whole pro-

AMERICAS NEWS DIGEST

PointCast plays down takeover talk

PointCast, the developer of "push" software which turns the Internet into a medium more like television, yesterday moved to quell speculation that it was about to accept a bid from News Corporation, the global media group controlled by Mr Rupert Murdoch. Mr Chris Hassett, chief executive of PointCast, did not deny that talks had taken place, but he played down their significance. "While PointCast has been approached from time to time by unsolicited acquirers, our present intention is to remain independent," he said.

Investment bankers said PointCast may have considered a bid because market conditions for high-tech flotations have worsened, but News Corp and PointCast were reported to be far apart on price. In its statement, PointCast suggested a public offering was still a possibility.

Nicholas Denton, San Francisco

Lilco assets to be sold

Brooklyn Union Gas and Long Island Lighting Co (Lilco) are to sell Lilco's electric transmission and distribution system, substantially all of its regulatory assets, and its share of the Nine Mile Point 2 nuclear plant to Long Island Power Authority (LIPA).

LIPA will pay cash for stock valued at about \$2.5bn in a holding company to be formed by Brooklyn Union and Lilco. The companies said the yet to be named holding company would include Brooklyn Union's entire operations and Lilco's natural gas distribution system, non-nuclear electric generating assets and certain other assets.

Brooklyn Union and Lilco announced their intention to merge on December 29 1996, creating a \$4bn electric and gas company.

Reuters, New York

IBM in software buy

International Business Machines plans to buy a majority stake in NetObjects, a privately-held supplier of software used by businesses to build Internet Web sites. IBM said the investment reflected its strategy to champion leading Internet technologies that help businesses exploit network computing.

NetObjects, headed by Mr Samir Arora, said it would continue to operate as an independent company that supports leading platforms and standards. NetObjects has partnerships with other computer industry leaders including AT&T, Microsoft, Netscape Communications, Sun Microsystems and WorldCom.

Mr Michael Zisman, executive vice-president at Lotus, will join the NetObjects board and will represent IBM's interests. The original investors, the management team and employees of NetObjects will retain investment interests. No further details of the transaction were disclosed.

Reuters, New York

Chilectra to invest \$250m

Chilectra, Chile's largest electricity distributor, plans to invest \$250m this year in power companies it owns in Argentina, Brazil and Peru, said Mr Marcos Zylberberg, general manager. The company will invest \$100m in Edeur in Buenos Aires, \$100m in Rio de Janeiro distributor CERJ, and \$45m in Lima-based Edenor. It will also spend 18bn pesos (\$48m) in Santiago this year, up 11 per cent on its investment in the city last year.

Chilectra is about 75 per cent owned by power investment company Ebersis. The company's local investments, which include four new sub-stations, will be financed from its own resources.

Reuters, Santiago

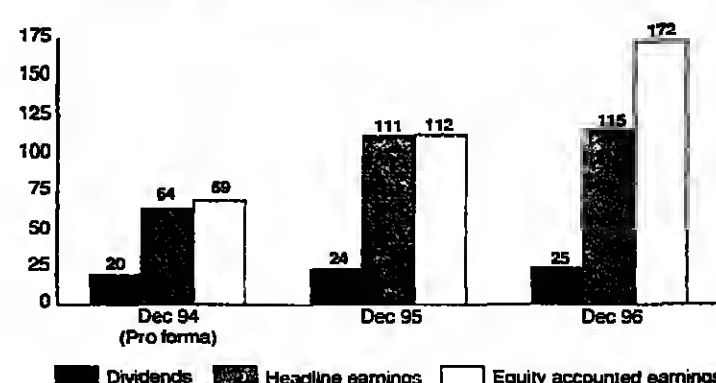
JCI Limited



Incorporated in the Republic of South Africa
(Registration number 121 090/01/06)

HIGHLIGHTS FROM THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 1996

Interim dividends and earnings per share (cents)



- Headline earnings per share increased by 50% (off a record high base in 1995 and after a 76% increase in new business expenditure)
- Equity accounted earnings per share up by 56%
- Net asset value per share increased by 31%
- Share price performance continues to outperform industry
- Letter of intent signed to acquire Shell South Africa's coal business
- Expenditure on investments and new business R125 million
- R430 million approved on new Group capital projects

Capitalisation Share Award - Right of Election to Receive an Interim Dividend (No 3) and to Subscribe for New Shares

Capitalisation shares have been awarded to shareholders registered at the close of business on Friday, 4 April 1997. Shareholders may elect instead to receive an interim dividend of 25 cents per share payable on 14 May 1997. Shareholders making this election will then be given the opportunity to apply the dividend in subscribing for new ordinary shares in the Company. Full details are set out in the Interim Report to be sent to shareholders.

19 March 1997

The full interim report can be obtained from the London Secretaries, JCI (London) Limited, 6 St James's Place, London SW1A 1NF. Additional information can be found at the JCI Limited website: <http://www.jci.co.za>

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For the period March 19, 1997 to June 18, 1997 the new rate has been fixed at 22.41016 % P.A.
Next payment date: June 18, 1997
Coupon at: 17
Amount: FRF 5 664.79 for the denomination of FRF 100 000
FRF 56 647.90 for the denomination of FRF 1 000 000
THE PRINCIPAL PAYING AGENT: SOCIETE GENERALE BANK ATXUST SA-LUXEMBOURG

YEN 15,000,000,000
AKTIEBOLAGET SPINLAB (SWEDMORTGAGE)
Subordinated Floating/Variable Rate Notes due 2002
Interest Rate 0.81953%
Interest Period March 19, 1997 June 19, 1997
Interest Amount due on June 19, 1997 per YEN 100,000,000 YEN 209,435
BANQUE GENERALE DU LUXEMBOURG Agent Bank

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In accordance with the Terms and Conditions of the above-mentioned Debentures, notice is hereby given that the Board of Directors of the National Bank of Canada (the "Bank") has increased on February 20, 1997 the quarterly regular dividend on each Common Share of the Bank, for the quarter ending April 30, 1997 and payable on May 1, 1997 from Cdn\$ 0.125 to Cdn\$ 0.15.

Consequently, pursuant to clause (g) Adjustment of Rate of Interest of paragraph Interest of the Terms and Conditions of the Debentures, the Rate of Interest has been adjusted in accordance with the following formula:

Adjusted Rate of Interest = Regular dividend declared / Reference dividend x Rate of Interest
Where: "Reference Dividend" is equal to Cdn\$ 0.20
"Regular dividend declared" is equal to Cdn\$ 0.15
Consequently, the Rate of Interest as adjusted pursuant to the above will be:
0.75 x Rate of Interest

The Rate of Interest shall continue to be adjusted according to the above formula until the Interest Period next following that in which the last dividend declared by the Bank on the Common Shares is equal to or greater than the Reference Dividend.

Kreditbank S.A. Luxembourg is acting as its capacity as Reference Agent for the Debentures will adjust the Rate of Interest for the subsequent Interest Periods, the first one starting on August 29, 1997.

The Reference Agent
Kreditbank Luxembourg

COMPANIES AND FINANCE: THE AMERICAS

Brussels probe into Boeing to focus on airliners

By Emma Tucker in Brussels

The main focus of the European Commission's extended investigation into the proposed merger between US aircraft makers Boeing and McDonnell Douglas will be the impact of the deal on the market for commercial aircraft, the Commission said yesterday.

The investigation will also examine how Boeing stands to benefit from access to military technology and

funding as a result of the merger.

Confirming the opening of an in-depth investigation into the deal, the Commission's competition authorities said they were concerned the merger would strengthen Boeing's leading position in the market for commercial jet aircraft.

"With a market share of more than 60 per cent, Boeing is by far the leading player in the overall world market for commercial jet aircraft of

more than 100 seats," said a statement from Mr Karel Van Miert, the competition commissioner. "Following the proposed merger, there will be a further increase in Boeing's market share and only one remaining competitor, Airbus."

The merger, notified to the Commission last month, will create the largest aerospace company in the world. Not only would it command three-quarters of the world's \$50bn a year commercial

airliner market, it would also boast annual defence sales of more than \$15bn.

The Commission said that without taking into account the recently completed acquisition of Rockwell Defence and Aerospace, Boeing would approximately triple its defence and space activities through the merger with McDonnell Douglas. Some 70 per cent of McDonnell's total business is related to defence and space.

Therefore, the Commission said it intended to examine the impact of the large increase in Boeing's defence and space business on the commercial side of its activities.

"McDonnell Douglas has access to codes of Pentagon funds that could be used by Boeing on the civil side," one Brussels competition lawyer said. "Government funded research and development could also spill over into the civil side."

One other element for examination is the increased bargaining power vis-à-vis equipment suppliers that the merged companies would enjoy.

The Commission has four months to complete its investigation, during which time US antitrust officials will also be completing their probe into the deal. Brussels is likely to send out a formal statement of objections after roughly the first five weeks of the investigation.

Caracas prepares Cadafe for the block

Troubled Venezuelan power company faces being broken up amid draconian cost-cutting

In spite of vast energy resources and one of the first power generation networks in South America, Venezuela has one of the most inefficient power companies, the state-owned Compañía Anónima de Administración y Fomento Eléctrico (Cadafe).

Of the 27,000 gigawatt-hours that Cadafe produces annually, an astonishing 38 per cent is lost due to administrative and technical inefficiency as well as illegal tapping of transmission wires.

With Cadafe on the verge of collapse, the government has appointed new managers to restructure and streamline operations in preparation for eventual privatisation. "As it is, the company simply has no future in the long term," says Mr Luis Andres Rojas, who was appointed president of Cadafe last August.

Under the privatisation plan, Cadafe will be split into between seven and nine "independent and economically attractive" units, which are eventually to be sold. The plan also calls for draconian cost-cutting measures, primarily reductions in personnel and financial costs.

Mr Rojas and his team of consultants, engineers and accountants face a daunting task. The government has given them until the end of this year to turn around a debt-ridden, inefficient and corrupt company, without

much outside support. Like other public enterprises in Venezuela, Cadafe has for years been managed on political rather than corporate criteria.

According to Mr Rojas, an estimated 3,000 of Cadafe's 12,500 employees will have to be made redundant. Yet dealing with 37 labour unions to cut generous worker benefits and redundancy costs will not be an easy task. Cadafe employs some 500 former and present union leaders under life-time contracts with per-diem and travel allowances.

In an effort to pre-empt labour opposition, Cadafe's management has emphasised retraining and early retirement programmes as part of its labour strategy. According to Mr Daniel Duran, union leader and labour director on Cadafe's board, the strategy seems to be working. He claims workers are not being consulted about the privatisation process, but says most unions are unable or unwilling to influence it.

Cadafe's new management is also busy putting the company's books in order. Since 1992, no external auditor has found that Cadafe's books accurately reflect its financial situation. In 1995, one firm refused to audit Cadafe for lack of accurate financial information.

The company also needs \$1bn of investment. Outdated equipment increas-

Designed for electricity generation in Venezuela



Margarita time: sale of island complex may be back on track

ingly leads to power loss and black-outs. According to Mr Carlos Sanchez, vice-president of planning, Cadafe made operating profits of Bs20bn (\$41.8m) last year but is expected to register a net loss, largely as a result of the financial burden of its \$2.3bn debt to the central government.

Delayed rate increases last year heightened Cadafe's financial troubles and led to a bitter stand-off between the power industry and the government. Currently Cadafe sells a kilowatt-hour for an average of Bs16 (3.3 US cents) and generates it at an average cost of Bs14-Bs15.

A recent executive decree aims to pave the way for a new rate system. Yet Mr

Carlos Pérez, who heads the industry association Cavelnel, warns that problems persist. "The regulatory agency is guided by political rather than technical criteria and without a clear rate system no foreign investor will put money here."

Mr Erwin Arrieta, energy minister, says that the government will not grant rate increases unless some power companies eliminate inefficiency and corruption. As a result, the regulatory commission now demands more detailed cost accountability from all utilities.

The privatisation of Cadafe and other public power companies will also

require legislative reforms to restrict authority that municipalities have over local power companies.

According to the reform-minded Mr Sanchez, who joined Cadafe with Mr Rojas, mayors and governors are hesitant to give up such power, which they often use to "get local Cadafe managers to concede favours".

If Cadafe were to negotiate with each of the 289 municipalities it serves, he adds, the privatisation process would be stalled indefinitely. Government officials say they are fine-tuning a comprehensive legislative proposal before presenting it to congress sometime in March.

power sector, the state privatisation agency, Fondo de Inversiones de Venezuela (FIV), is now struggling to get the long-delayed sale of the Margarita Island complex under way. Operated by Cadafe, the complex comprises two thermo-electric power plants, an underwater transmission line, and a distribution and transmission network. With a 30 per cent growth in demand for power expected over the next five years, the island's tourism-driven economy is an attractive market.

Cadafe is working with the FIV and the ministry of energy to establish a tariff structure exclusively for the island. "We are not going to fix a date for the sale of the Margarita complex until we have a tariff regime that guarantees a reasonable rate of return," says Mr Jesus Castellano at the FIV. He estimates the Margarita sale could go ahead in June or July this year.

Mr Sanchez remains confident that an additional Cadafe unit, the Monagas/Delta Amacuro division in eastern Venezuela, can be sold in late 1997 or early 1998. Yet with the 1998 presidential election campaign heating up, sacking workers and selling assets in a strategic sector of the economy could be a task left for the next administration.

Raymond Colitt

Microsoft and HP in server software pact

By Nicholas Denton and Louise Kehoe in San Francisco

Microsoft, the dominant developer of operating software for desktop computers, is poised to extend its control to the powerful server computers at the heart of corporate networks.

Under an alliance announced yesterday, the world's leading seller of servers running the traditional Unix operating system is to switch support to Microsoft's rival Windows NT product.

Hewlett-Packard, Microsoft's new partner, said demand for Unix-based machines continued to grow and it expected the two operating systems to co-exist. But Mr Lew Plst, Hewlett-Packard chairman and chief executive, said: "Microsoft has a very major position on the desktop and an increasingly significant position on servers. It is clear they are going to be a big long-term player."

Hewlett-Packard will promote NT to its corporate clients; go on joint sales visits with Microsoft representatives; extend its technical support for the operating system; and help staff a joint research centre at Microsoft's headquarters in Red-

mond investigating how NT works on Hewlett-Packard servers.

For the moment, only Hewlett-Packard machines powered by Intel microchips are compatible with Microsoft's operating software, and larger servers using so-called Risc chips still use Unix.

However, Hewlett-Packard plans to offer Windows operating software across its whole product range from 1998, when a powerful new chip being developed with Intel comes into production. Microsoft grew out of the success of its Dos and Windows operating systems for desktop computers, and word-processing and spreadsheet applications such as Microsoft Word and Excel. In the early 1980s, it launched Windows NT, a more robust version of its operating system designed for servers such as the computers used on trading floors.

Until recently, Digital Equipment was the main server manufacturer aligned with Microsoft. But Hewlett-Packard's move shows even "Unix houses" are responding to the adoption of the operating system. It leaves rivals to Microsoft such as Sun Microsystems and International Business Machines in a more isolated position.

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March 1997



SUMMONS TO ANNUAL GENERAL MEETING

UPM-Kymmene Corporation shareholders are invited to attend the company's Annual General Meeting to be held on Thursday, 10 April 1997 in Marina Congress Center, address: Katajanokanlaituri 6, 00160 Helsinki, beginning at 3.00 pm. Participants' names will be checked and ballot slips issued beginning at 2.00 pm.

The meeting will deal with the following matters:

1. Matters pertaining to the Annual General Meeting as stated in § 11 of the Articles of Association
2. The proposal by the Board of Directors to change the company into a public limited company and amendment of § 1 of the Articles of Association to this effect.

Information

Copies of documents relating to the company's accounts will be available for inspection by shareholders at UPM-Kymmene Corporation's head office (address below) from 27 March 1997 onwards. Copies of these documents will be sent to shareholders on request. The company's printed Annual Report will also be available from the same date. The Annual Report will be posted to all shareholders entered in the list of shareholders kept by Finnish Central Securities Depository Ltd.

Right to attend the meeting

Shareholders wishing to attend the Annual General Meeting must be registered in the list of shareholders kept by Finnish Central Securities Depository Ltd by 27 March 1997 at the latest.

Shareholders whose shares have not yet been transferred to the book entry system also have the right to attend the Annual General Meeting provided they were registered in Reposa Oy's share register before 28 February 1994 or in Kymmene Corporation's share register before 21 August 1992, or providing they have informed the company and demonstrated their entitlement. In such cases, shareholders must present their share certificates at the meeting or provide proof of their whereabouts or other proof that the right to own the shares has not been transferred to a book entry account.

Shareholders wishing to attend the Annual General Meeting must inform the company by 12.00 noon on 8 April 1997 at the latest by writing to: UPM-Kymmene Corporation, Share Register, Sotkankatu 13, P.O. Box 203, 00171 Helsinki, or by telephoning +358 204150108 or 204150109, or telefax +358 204150328. Written notice of a shareholder's intention to attend the meeting must arrive before the deadline stated above. Any letters of authorization must be submitted at the time the shareholders concerned inform the company of their intention to attend.

Payment of dividend

The Board of Directors has decided to propose to the Annual General Meeting that dividend for the 1996 financial period be distributed partly as cash and partly in the form of Reposa Oy shares to a total value equivalent in FIM 4.50 per share. Under this proposal, dividend will take the form of FIM 1.50 per share in cash and FIM 3.00 per share as Reposa Oy shares. However, those shareholders whose UPM-Kymmene Corporation shares are registered in their book entry accounts on the record date set for dividend payment do not exceed 499 in number will receive their full dividend in cash. UPM-Kymmene Corporation will offer for sale to these shareholders Reposa Oy shares owned by UPM-Kymmene Corporation during a period of two weeks starting from the date on which dividend becomes payable, the number of shares then offered corresponding to the FIM 3.00 per share dividend paid to these shareholders in cash instead of Reposa Oy shares. The offer does not apply to shareholders domiciled in the United States of America.

Dividend will be paid to shareholders who, on the record date for dividend payment, are entered in the list of shareholders kept by Finnish Central Securities Depository Ltd. The Board of Directors has determined 15 April 1997 as the record date for dividend payment. The Board of Directors will propose to the Annual General Meeting that dividend be paid on 6 May 1997.

In the case of shareholders permanently resident outside Finland, tax will be deducted from the dividend at source.

Helsinki, 3 March 1997

BOARD OF DIRECTORS

NOTICE OF EARLY REDEMPTION

To the holders of

Birmingham Midshires

Building Society

(the "Society")

\$200,000,000

Floating Rate Notes due 1998

(the "Notes")

NOTICE IS HEREBY GIVEN that, pursuant to Condition 6(c) of the Notes, all of the outstanding Notes will be redeemed by the Society on April 22, 1997 (the "Redemption Date"). The Notes will be redeemed at their Principal Amount together with accrued interest to the Redemption Date.

Payment of Principal and interest will be made against presentation and surrender of the Notes with all outstanding Coupons representing thereto at the specified office of any of the Paying Agents listed below. Such payments will be made in pounds sterling at the specified office of the Paying Agent in London or, at the option of the holder, at any specified office of any Paying Agent by transfer to a pounds sterling account maintained by the payee with, or by a pounds sterling cheque drawn on, a bank in London. All outstanding Coupons shall become void and no payment shall be made in respect thereof. Notes and Coupons shall become void unless presented for payment within periods of ten years and five years respectively, from the Redemption Date, as defined in Condition 7 of the Notes.

Principal Paying Agent
Morgan Guaranty Trust Company of New York
60 Victoria Embankment
London EC4Y 0JP

Payable Agents
Banque Paribas Luxembourg, 104 Boulevard Royal, L-2055 Luxembourg
Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels

Birmingham Midshires Building Society
By: Morgan Guaranty Trust Company of New York
as Principal Paying Agent

Dated: March 20, 1997

BANQUE NATIONALE DE PARIS

PROGRAMME FOR THE

ISSUANCE OF DEBT

INSTRUMENTS

USD 200,000,000

Undated Subordinated

step-up Floating Rate Notes

Series N°92 Tranche 1

Notice is hereby given that the

rate of interest for the period from

20 March 1997 to 20 June 1997 has

been fixed at 6.25 per cent per

annum. The coupon amount due for

this period are USD 15.97 per

denomination of USD 1,000.

USD 159.72 per denomination of

USD 10,000 and USD 1,597.22 per

denomination of USD 100,000 and

are payable on the interest payment

date 20 June 1997.

The Fiscal Agent

BNP

(Luxembourg) S.A.

BIRMINGHAM MIDSHIRES BUILDING SOCIETY

\$200,000,000

Floating Rate Notes due 2000

For the three months from 19th

March 1997 to 18th June 1997

inclusive the Notes will carry

an interest rate of 6.375% per

annum.

The interest amount payable per

£10,000 will be £160.66 on 19th

June 1997.

AGENT BANK

BARCLAYS BANK PLC

125, Abchurch Lane, London EC4N 3DF

BARCLAYS

Prices for securities obtained for the

purpose of the statutory pooling and

redemption arrangements

In England and Wales

Principal and interest

on 20/03/97

on 20/03/97

on 20/03/97

on 20/03/97

on 20/03/97

on 20/03/97

on 20/03/97

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COMPANIES AND FINANCE: UK

First production line for Rolls-Royce

By Haig Simonian in Crewe

The loudest thing in a Rolls-Royce may still be its traditional clock, but even Britain's most timeless car-maker is changing the way it builds its products.

At the Crewe factory of Rolls-Royce Motor Cars, a revolution is taking place. Work has advanced on installing the first production line in the group's history as part of a £40m (£63.6m) investment by Vickers, its parent company.

Yesterday, Vickers announced an 11 per cent rise in pre-tax profits to £28.3m for 1996 while sales climbed 6 per cent to £1.2bn.

Rolls-Royce's new production line will not do away with the 77 craftsmen in the woodshop, nor the 90 skilled

staff working on chrome "brightware", such as the famous Spirit of Ecstasy mascot. However, the line - which will replace the former practice of wheeling vehicles around the factory - should improve productivity ahead of Rolls-Royce's first new saloon car in about 20 years, Mr Graham Morris, chief executive, said.

Mr Morris, who took over on March 1, said he expected the new model to spur a 50 per cent rise in unit sales when it comes out some time before 2000. "That is the least we need to reward Vickers with the profit pay-back for the extra capital that's going in", he said.

Although sales of Rolls-Royce and Bentley cars climbed by 12 per cent to 1,744 units last year, that is

still far short of its peak of 3,300 cars in 1990.

Mr Morris would not say when the new car would appear. However, other changes at Crewe suggest it may not be far off. In another part of the plant, installation of the company's first body welding shop is also nearing completion. Welding together bodies on-site, rather than buying them in, should improve quality and cut working capital, said Mr Morris. Bodies for the current saloon cars have been built by Rover in batches of several hundred at a time and stored at Crewe until required.

The investment in body assembly followed the decision in 1994 to purchase engines for the new range from BMW of Germany.



Traditional skills alongside computer controlled technology in the paint plant

Shares rise 10% on possible tie-up with Shell in Bangladesh
Cairn value rises above £1bn

By Jane Martinson

The market valuation of Cairn Energy, the UK oil independent, passed the £1bn mark yesterday when it announced a possible tie-up with Royal Dutch Shell in Bangladesh.

The shares rose 56p to 84½p, making the company the third largest in the sector at £1.07bn (£1.7bn).

Cairn said that joint venture discussions with the Anglo-Dutch oil giant were

likely to be finalised in the next few weeks. Mr Bill Gammell, chief executive, said: "We are fairly confident that we will be able to come to some agreement."

The tie-up is expected to involve the two groups applying jointly for the latest round of exploration licences in Bangladesh.

But the involvement could go further, with both groups interested in the development of Asian gas.

It said that it had been

approached by a number of companies interested in a tie-up. The latest round of about 13 licences in the area is understood to have attracted 83 companies.

Cairn's involvement in Bangladesh, which it first entered four years ago, has been the main driver to the company's growth from a valuation of £5m in 1992. It expects to produce its first gas from the area next April.

Cairn intends to spend about £20m on exploration

and development this year, more than twice that of 1996. Net income fell to £3.25m (£3.85m) last year. The 1996 figure was flattened by a \$3.4m disposal gain. Net cash stood at £25m.

Turnover rose 58 per cent to £36.5m (£21.7m), while operating profits jumped to £7.31m (£1.02m), chiefly because of acquisitions and higher oil prices.

Reserves increased tenfold to 189m barrels of oil a day last year.

Recovery at Comet sparks Kingfisher

By Christopher Price

A strong recovery at the Comet electrical chain combined with firm growth at the B&Q home improvement business helped Kingfisher report a 25 per cent rise in annual pre-tax profits to £388.7m (£318m).

The increase exceeded City expectations and Kingfisher shares rose 22½p to 697p. Group sales rose 10 per cent to £5.82bn, which also included a strong showing from Woolworths, the high-street store.

Sir Geoffrey Mulcahy, chief executive, said the results showed Kingfisher had moved into a strong position in its various markets, and predicted further cost efficiencies and organic growth. He warned, however, that the consumer market was likely to remain sluggish.

He refused to comment on market speculation linking Kingfisher to the Littlewoods high-street business, currently up for sale, Wickes, the troubled DIY group, or BDT, the French furniture and electrical retailer in which it holds a 26 per cent stake.

Comet showed the biggest improvement, lifting operating profits six times to £20.2m on sales 20 per cent higher at £702m. Most of the increase was attributed to improvements in the division's cost base and organisation. Like-for-like sales rose 13 per cent.

Profits at B&Q rose 75 per cent to £97.2m. Sales were 14 per cent ahead at £1.46bn, with like-for-like sales improving 10 per cent.

The rise, which came against a 6 per cent growth in the DIY market, was led by the group's new "Warehouse" concept where like-for-like sales increased by more than 12 per cent.

A B&Q store had been successfully tested in Taiwan, with a further three sites earmarked.

Tough trading conditions in the French electrical market persisted, pinning back Darty to a 5 per cent rise in profits to £113.3m, although this increase disappeared under the effect of sterling. Sales were also flat at actual exchange rates, at £1.14bn.

Woolworths increased profits by 29 per cent to £84.1m struck on a 7 per cent rise in sales to £1.53bn.

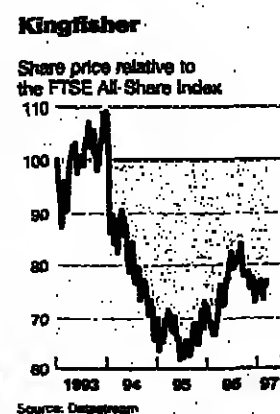
LEX COMMENT
Kingfisher

Everything has finally gone right for the retail conglomerate Kingfisher. Having stumbled on all five legs in 1994, it has picked itself up and would have us believe it is sprinting towards a dynamic future. The over-supplied Do-it-Yourself market is littered with loss-making operators, but B&Q is finally making market leadership pay. Margins are almost back to 1994 levels, but its new Warehouses are performing well and should underpin growth. Darty is still beating its peers in an unfriendly French market. Woolworths has achieved a pick-up in like-for-like sales, and Comet and Superdrug look sprightly.

This does not, however, add up to a clean bill of health. B&Q can look forward to an excellent year, but as it rolls out more Warehouses, there is considerable risk that they will start to poach business from its older superstores - particularly since none of the industry's walking wounded look interested in retiring.

Comet faces the recent government swipe at electrical goods warranties. Attempts to make Superdrug look more like Boots will come at a cost. And Darty, the group's largest profit centre, will show a significant decline in sterling profits if current exchange rates are maintained.

Of course, with interest cover back up to 16 times, the management may try to add spice through acquisitions. But its record with Comet, Superdrug and even Darty, suggests investors should not get over-excited at the prospect.



RTZ-CRA revamp will cut costs

By Jane Martinson and Nikki Tait in Sydney

RTZ-CRA, the world's largest mining company, is to rationalise its management structure in a move which will lead to estimated cost savings of between \$50m and \$60m a year.

The Anglo-Australian group is to cut 200 jobs in the US and Australia and close an office in Salt Lake City as part of a reorganisation from a geographical to a

product-based structure. It will incur a one-off charge of about \$40m this year.

The reorganisation follows the operational merger of the London-based RTZ operations and those of CRA, headquartered in Melbourne, at the end of 1995. Although there was no cash bid, the two companies moved to an innovative "dual-listed company" structure. RTZ had previously owned 49 per cent of CRA.

Mr Robert Wilson, execu-

tive chairman, said the company would not consider a return to separate listings but a possible future listing of individual assets was "something that we won't close our eyes to".

One or two layers of management would be removed in some divisions. "We wanted to have a direct dialogue with what's going on, rather than having to go through an intermediate office." The new set-up, with six product and two opera-

tional divisions, is intended to produce greater simplicity and transparency.

The shares fell 11p to 963½p, although analysts blamed market weakness and misleading reports about the cost savings.

RESULTS

		Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends Current dividend	Total for year	Total last year
Anglo	Yr to Dec 31	3,453 (3,401)	39.6 (33.6)	3.3 (2.8)	0.35	July 3	0.6	0.6	0.6
Barrick	6 mths to Dec 31	227.4 (198.2)	23.8 (18.5)	5.83 (4.8)	2.1	Apr 28	2	2	2
BHP Resources	Yr to Dec 31	115.2 (102.4)	6.36 (5.72)	20.9 (17.2)	5.2	May 23	4.4	7.6	5.4
Borealis	Yr to Dec 31	524.9 (470.4)	72.94 (77.5)	30.88 (23)	6.98	July 1	6.5	10.17	9.5
Brandon Hills	Yr to Dec 31	21.8 (14.3)	1.734 (1.5)	7.1 (6.7)	1.8	May 16	1.5	2.7	2.25
British Alkali	6 mths to Dec 31	5.95 (5.48)	0.953 (0.81)	2.97 (2.4)	0.6	Apr 25	0.9	1.75	1.5
Broadland	Yr to Dec 31	()	1.71 (1.3)	3.95 (3.06)	1	May 10	0.9	1.75	1.5
Cairn Energy	Yr to Dec 31	36.5 (21.7)	5.93 (4.69)	3.121 (1.7)	1.75	May 28	2	3	2
Calsonic	Yr to Dec 31	15.8 (17.6)	0.809 (1.02)	6.4 (8.5)	1.75	May 28	2	3	2
Calsonic Trans	6 mths to Dec 31	1.853 (1.592)	0.435 (0.347)	4 (3.3)	1.7	July 3	1.59	3	2.76
C&D Properties	Yr to Dec 31	7.39 (6.95)	2.364 (2.1)	12.31 (11.5)	5.1	July 1	4.8	8.5	6
Cannock (W)	Yr to Dec 31	77.7 (74.5)	8.85 (7.02)	20.2 (15.4)	5.1	July 1	4.8	8.5	6
Canish Pipeline	Yr to Dec 31	3.12 (2.75)	4.49 (6.14)	34.1 (51.1)	3.3	May 23	3	4.8	4.4
Clydeport	Yr to Dec 31	17.4 (18.2)	5.31 (5.32)	13.59 (13.34)	3.3	May 23	3	4.8	4.4
Deere	Yr to Dec 31	302.2 (27.8)	44.44 (31.1)	19.51 (17.4)	5.7	May 23	5.1	8.5	7.7
DPS	Yr to Dec 31	4.82 (6.47)	1.721 (2.58)	3.43 (5.3)	0.25	0.25	0.25	0.25	1
Enxco Holdings	Yr to Dec 31	670.8 (834.8)	9,352.4 (13,674)	92.8 (128.8)	11	May 12	11	16.5	18.5
EW Fast	Yr to Dec 31	11.8 (10.3)	1.094 (0.968)	6.03 (3.7)	1.1	June 6	0.75	2	0.75
Enxco	Yr to Dec 31	215.7 (207.5)	18.2 (18.3)	6.4 (6.3)	3	May 30	6	4.5	8
Financial Pub	6 mths to Dec 31	1.89 (2.26)	0.104 (0.224)	4.27 (9.32)	1.72	May 22	3.9	6.9	6
First Fin	Yr to Dec 31	2.44 (1.52)	0.322 (0.32)	8.22 (7.1)	4.6	May 22	3.9	6.9	6
Independent News	Yr to Dec 27	419.1 (367.8)	73.59 (50.9)	16.521 (14.52)	14	July 4	11.7	18	18.2
Kingfisher	Yr to Feb 1	5,815 (5,281)	388.7 (311.7)	41.4 (34.4)	14	July 4	11.7	18	18.2
Lafarge Steel	6 mths to Nov 30	3.1 ()	4.454 ()	18.21 ()	2.9	May 30	2.6	5	4.7
Marley	Yr to Dec 31	700.1 (713.9)	85.9 (46.3)	20.9 (10.2)	2.9	May 30	2.6	5	4.7
Mannesmann (Bernard)	Yr to Dec 29	354.9 (322.1)	22.8 (16.7)	12.89 (10.45)	2.4	May 2	2	4.1	3.38
Medusa	Yr to Dec 31	27.3 (26.1)	1.59 (1.81)	4.05 (4.37)	1.1	May 16	0.9	1.65	1.35
Recon	Yr to Dec 31	2,307 (2,391)	190.4 (180)	48.71 (24.9)	6	June 4	6	14.1	14.1
Savoy Hotel	Yr to Dec 31	92.3 (96)	24.34 (10.64)	93.81 (21.8)	17.5	May 26	14	17.5	14
Simple Cashmere	6 mths to Dec 31	13.8 (10.3)	0.595 (0.442)	6.241 (5.23)	0.15	May 31	0.64	0.94	0.94
Stroma Engineering	Yr to Dec 31	34.2 (31.6)	50.64 (8.44)	35.8 (2.1)	0.8	May 14	1	1	0.9
Sturgeson &	Yr to Dec 31	10 (4.27)	0.874 (0.835)	5.81 (5.9)	1	July 4	1	1	0.9
Sunlight	Yr to Dec 31	38.4 (38.5)	1.33 (1.45)	0.2 (0.27)	1	July 4	1	1	0.9
Telecommunications Corp	Yr to Dec 31	25.1 ()	3.07 ()	12 ()	2	May 6	3	3	2.5
Town Centre Socs	6 mths to Dec 31	13.83 (11.82)	4.45 (4.24)	2.83 (2.28)	1.1	June 30	1.05	1.05	1.07
Tubidy Int	Yr to Dec 28	382.5 (17.3)	0.32 (0.32)	28.32 (21.5)	8.2	May 2	7.4	11.9	10.7
Try	Yr to Dec 31	141.2 (137.2)	1.05 (4.38)	1.52 (6.38)	0.8	May 2	0.8	0.8	0.8
Unichem	Yr to Dec 31	1,478 (1,403)	40.54 (49.4)	13.9 (19.3)	5.8	July 1	5.3	8.9	8
United Carriers	Yr to Dec 31	138 (127.9)	2.07 (1.80)	5.3 (7.1)	1.8	May 20	1.6	3.4	3.2
Vickers	Yr to Dec 31	1,198 (1,144)	83.3 (75.4)	18.7 (15.9)	4.5	May 2	4.3	7.2	6.7
Wickes	Yr to Dec 27	619.8 (592)	49 (45.5)	17.4 (18.6)	5.99	June 12	5.3	8	7.5
WIM	6 mths to Feb 1	81.4 (87.5)	1.634 (3.45)	0.85 (2.44)	0.85	May 28	0.85	15.05	14.25
Williams Holdings	Yr to Dec 31	1,817 (1,599)	340.2 (228.3)	38.1 (27.1)	9.25	May 28	8.75	15.05	14.25
Xenova	Yr to Dec 31	1.59 (1.79)	7.77 (7.98)	59.1 (77.1)	0.8	May 28	8.75	15.05	14.25

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. *After exceptional charge. *After exceptional credit. †On increased capital. ‡British currency. ‡Adjusted for share consolidation. ‡Nil stock. *Adjusted for scrip issue. *Comparative restated. ‡Pretax income.

GENCOR LIMITED
(Incorporated in the Republic of South Africa)
Company Registration No 01/01232/05
(Formerly General Mining Union Corporation Limited)

PAYMENT OF COUPON NO 151
(Dividend No 142)

HOLDERS OF SHARE WARRANTS TO BEARER will receive payment on or after 27 March 1997 at the rate of 1.20852p the amount declared per share, against surrender of Coupon No 151.

Coupons must be deposited for FOUR CLEAR DAYS for inspection before payment will be made:

In London At the office of the London Secretaries of the Company, 1-3 Strand, London WC2N 5HA

In Paris At Credit du Nord

In Switzerland At Credit Suisse, Zurich; Swiss Bank Corporation, Zurich; Union Bank of Switzerland, Zurich; or at any of their branches.

Coupons belonging to holders resident in Great Britain and Northern Ireland will be paid as follows:

Amount of dividend	1.20852
Less United Kingdom Income Tax of 20%	0.24170
	0.96682

Listing forms can be obtained from the London Secretaries.

per pro GENCOR (UK) LIMITED
London Secretaries
M Taylor
1-3 Strand
London WC2N 5HA
20 March 1997

Zeneca link for Xenova

The biotechnology sector received a boost yesterday when shares in loss-making Xenova jumped 80p to 435p on news of a tie-up with Zeneca, the pharmaceuticals group.

Analysts expressed surprise at the size of the rise, the latest sharp price movement in the feverish biotech sector. One said the jump was "totally unjustifiable" in the light of the announcement. However Greig Middleton, brokers to Xenova, said the higher share price gave the company a reasonable valuation of about £100m (£159m).

Xenova, which extracts chemicals from plants for potential new drugs, floated three months ago at 250p.

Zeneca has signed an agreement with Xenova to develop pharmaceuticals from its library of natural compounds.

Financial details were not released.

UniChem's Lloyds bid cost £14m

UniChem, the drugs distributor, said its failed bid for Lloyds Chemists had cost it £14.2m (£22.6m).

The net exceptional costs of £13.2m pushed pre-tax profits down from £49.4m to £40.3m last year. Underlying pre-tax profits rose 8 per cent to £53.5m.

Mr Jeffery Harris, chief executive, said he had no regrets about launching the bid, which would have doubled the company's market capitalisation.

UniChem, which offered £544m but lost out to Gehe, its German rival, would not have been able to deliver shareholder value at the level of Gehe's £684.1m bid, he said.

The group planned to spend about £40m on acquiring 100 pharmacies in the UK this year and would expand its European operations, through cross-shareholdings, mergers or friendly acquisition.

Ramco
Ramco Energy plc

5,000,000 Ordinary Shares in the form of Ordinary Shares or American Depositary Shares

Price £11 per share or \$17.60 per ADS

1,000,000 Ordinary Shares
International Offering

J.P. Morgan Securities Ltd.
Credit Suisse First Boston

UBS Limited
Howard, Weil, Labouisse, Friedrichs
Incorporated

Greig Middleton
Henderson Crosthwaite Corporate Finance
NatWest Securities Limited

4,000,000 American Depositary Shares
each representing one Ordinary Share
United States Offering

J.P. Morgan & Co.
Credit Suisse First Boston

Howard, Weil, Labouisse, Friedrichs
Incorporated
UBS Securities

Genesis Merchant Group
Merrill Lynch & Co.
Johnson Rice & Company L.L.C.
Rauscher Pierce Refsnes, Inc.

Donaldson, Lufkin & Jenrette
Salomon Brothers Inc.

Lehman Brothers
SBC Warburg Inc.
Petrie Parkman & Co.
Simmons & Company
International

All of these securities have been sold.
This announcement appears as a matter of record only.

10th March 1997



CONSOLIDATED NET INCOME UP 12 % IN 1996

LAPEYRE'S consolidated financial statements and results for the year ended December 31, 1996 were presented to the Supervisory Board by the Management Board on March 11, 1997.

CONSOLIDATED SALES (In millions of French francs)

	1996	1995	% change
1996	5,319	5,162	+ 3 %

LAPEYRE GROUP CONSOLIDATED INCOME

(In millions of French francs)	1996	1995	% change
LAPEYRE and GME	371.2	354.2	+ 4.8
SGM - OXO - LES ZELLES	2.2	8.4	- 74.0
K PAR K	22.3	15.9	+ 40.3
Income from operations	395.7	378.5	+ 4.5
Exceptional items	- 1	- 22.9	
Depreciation of goodwill	- 4.5	- 7.8	
Net income after minority interests	390.2	347.8	+ 12.2

LAPEYRE and GME increased profitability over the year. Despite improved results at SGM, income from operations in the wholesaling and building trades segment declined due to lower income from OXO and LES ZELLES, which have been confronted with difficult market conditions. K PAR K profits showed strong growth.

In all, income from operations increased more than sales, thereby improving margin which rose to 7.3 % of sales.

Net income after minority interests amounted to FRF 17.84 per share versus FRF 15.91 per share in 1995.

Funds from operations reached FRF 639 million, amply covering investments and capital spending of 273 million. The net cash flow combined with a reduction in working capital requirement, enabled LAPEYRE to continue to reduce indebtedness. As of December 31, 1996 the cash position, net of residual loans, amounted to FRF 256 million.

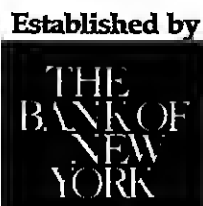
The Supervisory Board examined the financial statements of the LAPEYRE parent company, closed by the Management Board. Net income for the year, 1996 amounted to FRF 338 million.

In agreement with the Supervisory Board, the Executive Board will propose to the Annual General Meeting of shareholders on May 15, 1997 a net dividend per share of FRF 5.60 (FRF 8.40 including tax credit), which represents a 12 % increase from the 1995 dividend of FRF 5.00.

The dividend will be paid in cash on May 23, 1997.

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This announcement appears as a matter of record only.

COMPANIES AND FINANCE: ASIA-PACIFIC

Hongkong Land jumps to US\$649m

By John Riddling
in Hong Kong

Hongkong Land, the property arm of the Jardine Matheson group, yesterday announced a sharp increase in net profits last year, from US\$256.9m to US\$649.4m, boosted by exceptional gains on the sale of its stake in Trafalgar House.

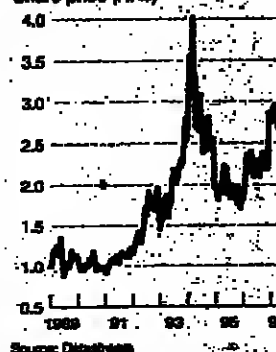
The sale of the 36 per cent stake in the UK construction, engineering and shipping group, now owned by Kvaerner of Norway, resulted in a gain of US\$217m in 1996, the troubled investment had prompted an exceptional charge of US\$158m.

Mr Simon Keswick, chairman, cited progress in expanding the group's property and infrastructure interests in the region which, he said, would provide the base for longer-term growth.

However, he warned that

Hongkong Land

Share price (HK\$)



Source: Citicorp

Earnings in 1997 are expected to be flat, despite Hong Kong's buoyant property market, because of the cyclical rental market.

Properties in Hong Kong are generally leased on a three-year contract. As a result, earnings are dictated by the timing of the property cycle, which has yet to regain the levels of 1994 in

the office sector. Hongkong Land is one of the biggest owners of office property in Hong Kong, dominating the downtown Central district.

Mr Keswick said office rents had stabilised last year after falling sharply from their 1994 peak, and that the property price rise resulted in a valuation of investment properties of US\$9.66bn, a rise of 27 per cent.

Hongkong Land's office and retail holdings, which total some 5m square feet, recorded 97 per cent occupancy at the year-end.

Excluding the charges and gains resulting from Trafalgar House, net profits rose 4 per cent to US\$432m. Earnings per share increased from 8.78 US cents to 24.67 US cents.

A final dividend of 8.50 US cents a share took the total payment for the year to 12 US cents, a rise of 4 per cent.

Jardine Matheson, page 19

More resign at Nomura

By William Dawkins in Tokyo

Two of Japan's most controversial financial figures yesterday said they would resign for the second time from the board of Nomura Securities, the stockbroker which recently admitted to dealing with *sokaiyu* corporate gangsters.

Mr Setsuya Tabuchi and Mr Yoshihisa Tabuchi, known as "Big" and "Little" Tabuchi, said they would step down next month because of advanced age.

However, their resignations will be seen as related to Nomura's latest scandal. They follow Mr Hideo Sakamaki's resignation as

president last week. The Tabuchis, who are unrelated, resigned as chairman and president, respectively, in 1991, after Nomura staff were found to have illicitly compensated favoured customers for share losses and helped a prominent gangster corner the shares of a railway company.

They returned to the board two years ago, as director-counsellors, since when they are said to have exerted strong influence over the management. They will continue to be employed by Nomura, in consultancy jobs, but a second reincarnation on the board is thought unlikely.

Finance One unit defaults on bills

By Ted Berdacko in Bangkok

One Holding, the investment arm of Finance One, Thailand's largest finance company which nearly collapsed earlier this month, said yesterday it had defaulted on a bill of exchange (B/E) repayment worth \$13.5m.

The company has about \$270m in outstanding debt, about half in B/E's denominated in foreign currency and mostly held by foreigners.

It cited a liquidity problem as the reason for the default. In spite of its connection with Finance One, One Holding has been left out of the finance company's emergency merger with Thai Danu Bank, a small commercial bank, and therefore can no longer count on its parent company to provide liquidity support as it had several times last year.

In addition, as a holding company rather than a finance company, One Holding cannot draw on emergency funds made available by the Bank of Thailand.

One Holding said it had appointed an unnamed financial adviser to help it negotiate with creditors to restructure loan payments. But lawyers said it would be difficult for investors to recover assets, as the B/E market in Thailand is unregulated.

Yields on most B/E's have widened considerably in the past few days, traders said, increasing funding costs for finance companies at a time when many depositors were redeeming promissory notes.

Indosat retracts over Telkom

By Manuela Saragosa in Jakarta

Indonesia's state-controlled international telecoms operator, Indosat, has retracted forecasts it made for early deregulation of monopolies covering domestic telecoms services.

The forecasts contradicted deregulation timetables spelt out by Telkom, the domestic telecoms service provider, in its 1995 IPO prospectus and provoked criticism from Telkom officials.

Indosat issued a statement yesterday saying its own forecasts should be "disregarded" and that they "do not refer to any revision in government policy". They were "merely intermediate targets set internally by

[Indosat], the company said.

Telkom shares fell earlier this week after Indosat indicated in reports sent to analysts that it expected Telkom's monopoly over domestic long-distance calls to end by 2001, and its monopoly over local calls to be lifted by 2005.

In its IPO prospectus, Telkom said these monopolies would end in 2005 and 2010, respectively.

Telkom shares staged a recovery yesterday, closing at Rp100 at Rp3.750, but concerns remain that the lifting of monopolies may be brought forward. Clarification is expected today as Telkom is scheduled to hold a conference call with analysts to discuss its 1996 earnings.

Santos buys WMC assets

By Nikki Tait in Sydney

Santos, the Australian oil and gas producer, yesterday exercised its pre-emptive rights and ousted Novus Petroleum as the buyer of WMC's Australian petroleum assets in a \$1.81bn (US\$1.81bn) deal.

Santos will acquire WMC's 30 per cent interest in the production licence which includes the East Spar field and two joint venture interests in exploration permits, also in the Carnarvon Basin off Western Australia.

The deal will lift Santos's interest in East Spar field to 45 per cent and give it a two-thirds interest in the adjoining

WA-214-P exploration permit.

To help fund the transaction Santos is making a one-for-eight rights issue at a \$4.00 a share, a significant discount to the \$4.89 closing price on Tuesday night. Shares in Santos dropped sharply, by 16 cents to \$4.73.

ASIA-PACIFIC NEWS DIGEST

Mitsui bails out leasing subsidiary

Mitsui and Co, one of Japan's largest general trading companies, yesterday announced a ¥11bn (\$1.1bn) bail-out for a troubled leasing subsidiary. The cash will pay for a five-year plan to write off bad debts at Mitsui Leasing and Development, which is 44.8 per cent owned by the trader. Like most of Japan's financial institutions, the leasing company is still struggling under the burden of loans made at the peak of the economic boom of the 1980s.

Sakura Bank and Mitsui Trust, shareholders and main bankers of the leasing group, have agreed to cut interest rates on loans to it, to help keep it afloat.

Mitsui and Co will account for the bail-out as an extraordinary charge in its accounts for the year ending this month. It will be compensated with extraordinary profits on the sale of shares, Mitsui said. Accordingly, there is no change in the trading company's forecast of a consolidated pre-tax profit of ¥24bn this year, up from ¥20.44bn in the 12 months to last March.

Willam Dawkins, Tokyo

The gap between the credit ratings of weaker and stronger Japanese banks will widen because of impending financial deregulation and the poor performance of the country's stock market, Moody's Investor Services, the US credit rating agency, has warned.

In a report on the Japanese banking system, Moody's said system-wide asset quality problems among banks remained a key concern, as continuing deregulation was likely to drag on banks' overall profitability. The government could be expected to maintain its commitment to protect the top 20 banks from failure over the intermediate term, the report said, but it questioned whether there were sufficient financial resources to back up that commitment "given the size of the problems".

Gwyn Robinson, Tokyo

Hotel demand lifts Mandarin

Mandarin Oriental International, the hotel group controlled by Jardine Matheson, yesterday reported a 12 per cent increase in net profits, from US\$83.7m in 1995 to US\$90.1m last calendar year. The profit growth in the first half was the strongest since the Hong Kong hotel market weakened in 1993. It was fuelled by strong demand in Hong Kong and Manila.

Earnings per share for the first half climbed 11 per cent, from 7.78 US cents to 8.66 cents. Directors are proposing a final dividend of 4.66 cents a share, making a total pay-out for the year of 6.3 cents a share, up 7 per cent.

Louise Lucas, Hong Kong

Qantas sells Air NZ stake

Qantas, the privatised Australian airline, yesterday cut its links with Air New Zealand, placing its 19.9 per cent stake with institutional investors. The 12m B shares were sold at NZ\$3.80 each in a deal handled by ANZ Securities. Mr James Strong, Qantas chief executive, said the NZ\$425m (US\$295m) proceeds would be used to reduce borrowings. Qantas said that as a result of yesterday's sale it would show a capital gain of about \$499m (US\$77.5m) before tax.

Nikki Tait, Sydney

Korea Mobile profits up 85%

Earnings at Korea Mobile Telecom, the cellular communications company, rose 85 per cent last year, while sales increased 102 per cent. The company said earnings before interest, taxes, depreciation and amortisation were Won1,700bn (\$1.39bn) in 1996, while sales were Won4,570bn. However, net income rose just 8 per cent to Won1,540bn. "Our corporate goals are to have 4.3m cellular subscribers and 6.8m paging subscribers by year end 1997," said Dr Jung Uck Seo, the company's president.

Philip Cogger

Cosco Pacific eyes terminals

Cosco Pacific, the world's fifth largest container leasing company, said yesterday it was in talks with its parent company over the potential acquisition of China port terminals.

The Hong Kong listed company's parent is Cosco (Hong Kong), the local arm of China Ocean Shipping, owned by the Chinese government. Cosco (Hong Kong) has interests in container terminals in a number of Chinese cities, including Shenzhen and Shanghai.

The possible injection of some of these assets into Cosco Pacific has been the subject of recent market speculation. Cosco Pacific itself owns a 50 per cent stake in one of Hong Kong's container terminals, which it bought in 1995. Cosco Pacific's share price dipped 0.5 per cent yesterday from HK\$10.55 to HK\$10.50.

Glitz Enterprises, a construction materials company indirectly controlled by the Guangdong provincial government's investment arm, said yesterday its plans to list on the Hong Kong Stock Exchange are to go ahead, and that the initial public offer will close today as stated in the prospectus. The group's announcement followed market speculation that it had encountered hitches and its HK\$105m issue - tipped to be heavily oversubscribed - might be delayed or even pulled.

Louise Lucas

Delphi in Chinese venture

Delphi Energy & Engine Management Systems, a subsidiary of General Motors, the US carmaker, yesterday announced a \$55m joint venture with Shanghai Electrical to build a battery production plant in Shanghai. The project will be based in the Pudong development zone, giving a further boost to the government's plan to turn the east of the city into a commercial centre.

GM is expected to announce later this year that it will go ahead with a car factory producing Buicks out of Shanghai, once it is approved. Delphi has 10 joint ventures in China and has invested more than \$300m.

James Harding, Shanghai

FMG MIR SICAV

Société d'Investissement à Capital Variable
10A, Boulevard Royal, Luxembourg
R.C. Luxembourg B 53.392

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of FMG MIR SICAV will be held at the Registered Office, 10A, Boulevard Royal, Luxembourg,

on Tuesday 19th April, 1997 at 11 a.m.,

for the purpose of considering the following agenda:

1. Management Report of the Directors for the year ended 31st December, 1996.
2. Report of the Statutory Auditor for the year ended 31st December, 1996.
3. Approval of the Annual Accounts for the year ended 31st December, 1996 and appropriation of the earnings.
4. Discharge to the Directors in respect of the execution of their mandates to 31st December, 1996.
5. Ratification of the appointment of one Director.
6. Election of the Directors for a new term of one year.
7. Election of the Statutory Auditor for a new term of one year.
8. To transact any other business.

The present notice and a form of proxy have been sent to all registered shareholders on record as March 24, 1997.

In order to attend the Meeting, the owners of bearer shares are required to deposit their shares before April 7, 1997 at the Registered Office of the Company.

Banque Paribas Luxembourg
10A, Boulevard Royal
Luxembourg

The registered shareholders have to inform by mail (letter or proxy form) the Board of Directors of their intention to assist at the meeting before April 7, 1997.

By order of the Board of Directors

CREDIT LYONNAIS

USD 500,000,000 - FRN

Unlimited

Bondholders are hereby informed that the rate for the Common M213 has been fixed at 6.625 %, for the period starting on 19.03.1997 until 18.06.1997 inclusive (representing a period of 92 days).

The coupon will be payable on 19.06.1997 at a price of USD 169.31

The Principal Paying Agent

CREDIT LYONNAIS LUXEMBOURG S.A.

BUSINESSES FOR SALE

Appear in the Financial Times on Tuesdays, Fridays and Saturdays.

For further information or to advertise in this section please contact

Karl Layton 0171-973 4874

SOFTS (March 18)

COCOA LIFFE (\$/tonne)

	Sett	Day's	High	Low	Vol	Open
Mar	1025	+6	1035	1024	55	979
May	1023	+4	1034	1020	3,056	971.4
Jul	1019	-1	1026	1026	2,783	14,368
Sep	1045	+2	1050	1049	1,976	12,673
Dec	1044	+2	1057	1044	2,258	24,823
Mar	1052	+2	1072	1059	1,476	22,342
Total					12,241	122,261

COCOA CICE (10 tonnes, \$/tonne)

	Sett	Day's	High	Low	Vol	Open
Mar	1480	-23	1485	1446	1,135	32,055
Jul	1485	-18	1500	1476	1,261	20,361
Sep	1511	-14	1525	1500	535	11,477
Dec	1530	-15	1548	1528	337	8,415
Mar	1559	-9	1570	1551	438	18,270
May	1577	-7	1588	1565	160	6,610
Total					11,400	96,761

COFFEE (COC) (\$/tonne)

	Sett	Day's	High	Low	Vol	Open
Mar	1898	+6	1890	1830	270	1,567
May	1898	+6	1708	1610	2,882	25,464
Jul	1895	+10	1700	1598	1,262	10,730
Sep	1876	+11	1658	1588	636	5,570
Dec	1861	+11	1600	1555	153	2,625
Mar	1851	+18	1580	1540	46	885
Total					5,069	46,776

COFFEE '11' CICE (\$7,500/tonne, \$/tonne)

	Sett	Day's	High	Low	Vol	Open
Mar	203.00	+11.95	220.00	193.50	284	305
May	188.50	+0.15	174.75	185.00	12,280	20,447
Jul	125.00	-1.35	161.00	152.50	3,882	7,828
Sep	144.25	-1.55	157.00	143.25	999	5,076
Dec	129.00	-2.85	138.00	129.00	536	3,332
Mar	123.00	+3.85	131.00	127.00	77	965
Total					17,862	36,456

COFFEE (COC) (\$/tonne)

Mar 18

Sett

Day's

High

Low

Vol

Open

Mar

CURRENCIES AND MONEY

Sterling firms on economic data

MARKETS REPORT

By Emilio Terazono

Robust economic data pointing to a strong economy strengthened sterling and prompted buybacks of the currency, which was severely battered on UK election jitters earlier in the week.

The pound rose by 0.9 pence against the D-Mark to close in London at DM2.686 while closing at \$1.597, up 0.5 cents, against the dollar.

The release of the February unemployment rate, which was the lowest since November 1990, highlighted a strong economy, raising expectations of a higher inflation and a post-election rate hike.

The pound's rebound started overnight on a report of the jobless figures linked to a UK tabloid newspaper, while short term interest rates saw an upward leap on

the average earnings figure for January, the highest growth since November 1992. "The real question is exactly how strong the economy is and what the prospects are for the remainder of the year," said Mr Philip Shaw, chief economist at Union Discount. He added that the interest rate futures market would remain nervous ahead of the US Federal Reserve's Open Market Committee next week.

The peseta, which was hit by uncertainty over European monetary union earlier in the week, remained almost flat, closing at Ptas84.88 against the D-Mark. However, pessimism over the peseta persisted and strategists said continued

■ **Pound in New York**
Mar 19 - Last - 1.5960 - 1.5905
1m - 1.5971 - 1.5907
6m - 1.5953 - 1.5900
1y - 1.5865 - 1.5815

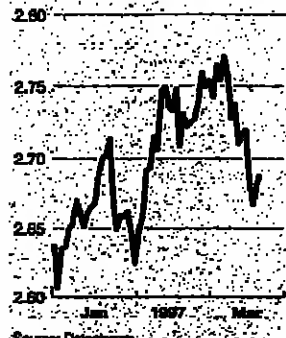
Emu jitters and weakness in the Italian lire could drag the Spanish currency lower. Although Spain's fiscal position is far stronger than that of Italy, Spain could still be excluded from the first wave. "The Spanish peseta will be found guilty by association although it looks better than Italy on paper," said Mr David Brown, chief European economist at Bear Stearns.

■ Although the Swiss franc gained ground this week on concerns over Emu, just how far investors are willing to buy the currency remains uncertain. The weak fundamentals of the Swiss economy does not present an attractive alternative as a safe haven, according to currency strategists.

■ Swiss interest rates are the lowest in Europe due to the struggling economy, and the Swiss National Bank will be quick to lower interest rates further if there is a sig-

Sterling

Against the D-Mark (DM per £)



Source: Bloomberg

weight on the Canadian dollar. The currency touched a one year low of C\$ against the dollar in US trading. Comments made on Tuesday by Mr Gordon Thiessen, the governor of the Bank of Canada, suggesting that the central bank would not follow a possible move by the US Federal Reserve to raise interest rates, triggered a slide of the currency.

Canadian monetary policy has in the past followed that of the US, but Mr Thiessen told a Canadian Senate Banking Committee that the country's improved finances had given the central bank more maneuvering room to respond to a possible rise in US rates. "The market is is

■ **OTHER CURRENCIES**
Mar 19 - Last - 1.5960 - 1.5905
1m - 1.5971 - 1.5907
6m - 1.5953 - 1.5900
1y - 1.5865 - 1.5815

■ Selling by offshore investors including investment banks and hedge funds

understandably giving the Canadian central bank a hard time," said Mr Stephen Poloz, managing editor of International Bank Credit Analysts in Montreal. He added that the Bank of Canada may be forced to increase rates if the Canadian dollar were to decline by more than 1 per cent.

Although speculative selling could depress the Canadian dollar in the short term, some economists said the central bank, supported by long term investors who are encouraged by Canada's economic fundamentals including low inflation and a controlled budget deficit, would not move to tighten monetary conditions immediately. Mr David Coleman, chief economist at CIBC Wood Gundy in London, said that the central bank's first line of defence would be to intervene in the currency markets in the event of a plunge in the Canadian dollar.

POUND SPOT FORWARD AGAINST THE POUND

Mar 19	Closing mid-point	Change on day	30/09/97	Days' mid low	One month	Three months	One year	Bank of England
Europe	18.9019	+0.1333	226	110	18.9307	18.7319	18.8594	2.8
Australia	(B\$)	18.9019	+0.1333	226	110	18.9307	18.7319	18.8594
Belgium	(Bfr)	55.4022	+0.2916	536	500	55.4850	54.8160	55.2772
Denmark	(DKr)	10.8472	+0.0022	440	504	10.8686	10.8686	10.8686
Finland	(Fmk)	8.0708	+0.0224	656	760	8.0920	8.0920	8.0920
France	(Ffr)	9.0581	+0.0584	856	920	9.0748	8.9704	9.0569
Germany	(DM)	2.8855	+0.0181	840	870	2.8916	2.8917	2.8919
Greece	(Dr)	428.455	+2.545	428	460	424.588	418.957	-
India	(Rs)	1.1918	+0.0012	102	188	1.1920	1.1915	1.1917
Italy	(L)	2891.81	+49.55	285	300	2893.14	2878.88	2894.41
Japan	(Y)	55.4022	+0.2916	536	500	55.4850	54.8160	55.2772
Netherlands	(F)	3.0251	+0.0223	238	263	3.0302	3.0257	3.017
Norway	(Nkr)	10.7088	+0.0254	948	1023	10.7260	10.7081	10.7141
Portugal	(Esc)	270.335	+1.81	212	227	272.424	268.186	270.75
Spain	(Ptas)	228.008	+1.496	892	123	228.460	228.750	228.142
Sweden	(Skr)	12.2511	+0.0012	436	494	12.2510	12.2525	12.25
Switzerland	(Sfr)	2.3382	+0.016	072	082	2.3125	2.2991	2.2864
UK	(£)	1.5960	+0.0077	863	872	1.5991	1.5870	1.5846
USA	(\$)	1.5924	+0.0054	863	872	1.5991	1.5870	1.5846
USA	(\$)	1.5924	+0.0054	863	872	1.5991	1.5870	1.5846

1. Based on Mar 19. Bid/offer spreads in the Pound Spot table show only the best bid and offer. Forward rates are not directly quoted to the market. Bid and offer rates are implied by the current interest rates. The Bank of England's 1997 interest rate is 5.00 per cent. Bid and offer rates are implied by the current interest rates. The Bank of England's 1997 interest rate is 5.00 per cent. Bid and offer rates are implied by the current interest rates. The Bank of England's 1997 interest rate is 5.00 per cent.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 19	Closing mid-point	Change on day	30/09/97	Days' mid low	One month	Three months	One year	J.P. Morgan
Europe	11.8541	+0.0222	322	378	11.8520	11.7770	11.8194	1.5
Australia	(B\$)	11.8541	+0.0222	322	378	11.8520	11.7770	11.8194
Belgium	(Bfr)	34.6880	+0.0065	810	110	34.7300	34.4780	34.626
Denmark	(DKr)	6.4135	+0.0046	145	165	6.4212	6.3945	6.4098
Finland	(Fmk)	5.0020	+0.0133	505	554	5.0080	5.0018	5.0042
France	(Ffr)	5.8711	+0.0278	702	718	5.8835	5.8520	5.8604
Germany	(DM)	1.8915	+0.0033	810	820	1.8948	1.8739	1.8793
Greece	(Dr)	1.5875	+0.0225	885	930	1.5910	1.5822	1.587
India	(Rs)	1.1918	+0.0012	102	188	1.1920	1.1915	1.1917
Italy	(L)	2891.81	+49.55	285	300	2893.14	2878.88	2894.41
Japan	(Y)	55.4022	+0.2916	536	500	55.4850	54.8160	55.2772
Netherlands	(F)	3.0251	+0.0223	238	263	3.0302	3.0257	3.017
Norway	(Nkr)	10.7088	+0.0254	948	1023	10.7260	10.7081	10.7141
Portugal	(Esc)	270.335	+1.81	212	227	272.424	268.186	270.75
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Sweden	(Skr)	12.2511	+0.0012	436	494	12.2510	12.2525	12.25
Switzerland	(Sfr)	2.3382	+0.016	072	082	2.3125	2.2991	2.2864
UK	(£)	1.5960	+0.0077	863	872	1.5991	1.5870	1.5846
USA	(\$)	1.5924	+0.0054	863	872	1.5991	1.5870	1.5846
USA	(\$)	1.5924	+0.0054	863	872	1.5991	1.5870	1.5846

1. Based on Mar 19. Bid/offer spreads in the Dollar Spot table show only the best bid and offer. Forward rates are not directly quoted to the market. Bid and offer rates are implied by the current interest rates. The Bank of England's 1997 interest rate is 5.00 per cent. Bid and offer rates are implied by the current interest rates. The Bank of England's 1997 interest rate is 5.00 per cent.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 19	BFY	DKr	Ffr	DM	£	L	F	Nkr	Es	Ptas	Sfr	C	CS	S	Y	Esc
Belgium	(Bfr)	100	16.50	16.35	1.848	1.838	4857	5.400	10.48	487.9	411.8	22.11	4.168	1.805	3.889	2.883
Denmark	(DKr)	54.05	100	8.897	2.620	0.994	2625	2.851	10.48	263.7	222.4	11.95	2.252	0.976	2.145	1.558
France	(Ffr)	57.15	11.32	100	2.995	1.122	10.71	2.995	11.32	299.5	11.32	1.122	2.995	1.122	2.995	1.122
Germany	(DM)	20.63	3.616	3.72	100	1.226	1.226	4.021	100.8	94.88	4.561	0.259	0.272	0.616	0.593	3.01
Italy	(L)	54.37	10.08	8.899	2.636	1	2.641	2.698	10.08	263.3	223.7	12.02	2.255	0.981	2.158	1.557
Netherlands	(F)	2.059	0.381	0.337	0.100	0.038	0.100	0.112	0.401	10.48	8.473	0.455	0.086	0.037	0.082	0.059
Norway	(Nkr)	10.31	3.980	3.994	0.286	0.337	0.989	1	3.570	3.570	7.527	0.420	0.420	0.420	0.420	0.420
Portugal	(Esc)	51.30	8.491	8.357	2.487	0.944	2492	2.801	10	250.3	211.1	11.34	2.137	0.920	2.036	1.479
Spain	(Ptas)	20.50	3.792	3.351	0.894	0.377	985.6	1.118	3.998	100	84.35	4.332	0.854	0.370	0.814	0.591
Sweden	(Skr)	24.30	4.496	3.793	1.178	0.447	1100	1.327	4.737	118.8	100	5.373	1.012	0.438	0.964	0.701
Switzerland	(Sfr)	45.22	8.387	8.254	2.188	0.832	2167	2.458	4.818	220.7	186.1	10	1.894	0.416	1.034	0.752
UK	(£)	65.40	10.25	8.058	2.686	1.018	2891	3.025	10.80	270.3	228.0	12.25	2.308	1	2.190	1.587
Canada	(C\$)	25.19	4.991	4.119	1.221	0.463	1224	1.378	4.811	122.9	103.7	5.571	1.000	0.435	1	0.726
USA	(\$)	34.68	6.418	5.672	1.552	0.638	1655	1.894	6.753	168.3	142.7	7.571	1.444	0.328	1.077	0.753
Japan	(Y)	28.25	5.227	4.616	1.370	0.520	1372	1.543	5.857	137.8	116.3	6.247	1.177	0.510	1.014	0.707
South Korea	(W\$)	43.9723	+0.243	335	111	44.053	43.837	-	1.787	194.8	164.4	8.332	1.664	0.721	1.585	1.151
Taiwan	(NT\$)	41.4198	+0.233	354	124	41.540	41.220	-	-	-	-	-	-	-	-	-

Denmark, Kroner; France, Franc; Germany, Mark; Greece, Dracma; Hong Kong, Hong Kong Dollar; India, Rupee; Italy, Lira; Japan, Yen; Korea, Won; Netherlands, Guilder; Norway, Krone; Portugal, Escudo; Spain, Peseta; Sweden, Krona; Switzerland, Franc; Taiwan, New Taiwan Dollar; UK, Pound; USA, Dollar.

D-MARK FUTURES (DM) DM 125,000 per DM		JAPANESE YEN FUTURES (Yen) Yen 12.5 per Yen 100	
Open	Close	Open	Close
Jun 0.0014	0.0010	Jun 0.8273	0.8234
Sep 0.0025	0.0020	Sep 0.8352	0.8345
Dec 0.0088	0.0088	Dec 0.8493	0.8493

SWISS FRANC FUTURES (Sfr) Sfr 125,000 per Sfr		STERLING FUTURES (DM) DM 125,000 per £	
Open	Close	Open	Close
Jun 0.7014	0.6998	Jun 1.5896	1.5890
Sep 0.7042	0.7034	Sep 1.5950	1.5950
Dec 0.7118	0.7118	Dec 1.5990	1.5990

UK INTEREST RATES		EMS EUROPEAN CURRENCY UNIT RATES	
Rate	Change	Rate	Change
3m	5.00	3m	5.00
6m	5.00	6m	5.00
1y	5.00	1y	5.00

LONDON MONEY RATES		NON ERM MEMBERS	
Rate	Change	Rate	Change
3m	5.00	3m	5.00
6m	5.00	6m	5.00
1y	5.00	1y	5.00

THREE MONTH STERLING FUTURES (LFFE) £250,000 points of 100%		PHILADELPHIA SE 2'S OPTIONS (Cents per pound)	
Open	Close	Open	Close
Jun 93.74	93.58	Jun 1.80	1.82
Sep 93.52	93.33	Sep 1.80	1.82
Dec 93.29	93.06	Dec 1.80	1.82

THREE MONTH STERLING FUTURES (LFFE) £250,000 points of 100%		THREE MONTH EURO DOLLAR (DM) DM 1m points of 100%	
Open	Close	Open	Close
Jun 93.74	93.58	Jun 94.14	94.14
Sep 93.52	93.33	Sep 93.80	93.80
Dec 93.29	93.06	Dec 93.67	93.67

THREE MONTH STERLING FUTURES (LFFE) £250,000 points of 100%		THREE MONTH EURO DOLLAR (DM) DM 1m points of 100%	
Open	Close	Open	Close
Jun 93.74	93.58	Jun 94.14	94.14
Sep 93.52	93.33	Sep 93.80	93.80
Dec 93.29	93.06	Dec 93.67	93.67

THREE MONTH STERLING FUTURES (LFFE) £250,000 points of 100%		THREE MONTH EURO DOLLAR (DM) DM 1m points of 100%	
Open	Close	Open	Close
Jun 93.74	93.58	Jun 94.14	94.14
Sep 93.52	93.33	Sep 93.80	93.80
Dec 93.29	93.06	Dec 93.67	93.67

THREE MONTH STERLING FUTURES (LFFE) £250,000 points of 100%		THREE MONTH EURO DOLLAR (DM) DM 1m points of 100%	
Open	Close	Open	Close
Jun 93.74	93.58	Jun 94.14	94.14
Sep 93.52	93.33	Sep 93.80	93.80
Dec 93.29	93.06	Dec 93.67	93.67

THREE MONTH STERLING FUTURES (LFFE) £250,000 points of 100%		THREE MONTH EURO DOLLAR (DM) DM 1m points of 100%	
Open	Close	Open	Close
Jun 93.74	93.58	Jun 94.14	94.14
Sep 93.52	93.33	Sep 93.80	93.80
Dec 93.29	93.06	Dec 93.67	93.67

THREE MONTH STERLING FUTURES (LFFE) £250,000 points of 100%		THREE MONTH EURO DOLLAR (DM) DM 1m points of 100%	
Open	Close	Open	Close
Jun 93.74	93.58	Jun 94.14	94.14
Sep 93.52	93.33	Sep 93.80	93.80
Dec 93.29	93.06	Dec 93.67	93.67

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1999	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	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Offshore Funds

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COMMODITIES AND AGRICULTURE

Eni plans gas terminals in Mediterranean Start up of Alumbra

By Robert Corzine in Ravenna

Eni, the Italian oil and gas group, yesterday unveiled a plan to build giant floating liquefied natural gas terminals in the Mediterranean in a move that could bolster the LNG trade in the region.

Mr Guglielmo Moscato, ENI chairman, said the development of such vessels could overcome growing environmental opposition to new shore-based LNG terminals. They would also form part of what he hopes would

be a more integrated approach to gas trading in the Mediterranean.

That would "make the gas market more flexible, articulated and equipped with a spot component, along the lines of the oil markets".

The ENI project, which has been under study since 1992, would adapt technology that has been developed for the floating oil production systems that are becoming increasingly common. Mr Moscato said LNG carriers of any size could unload into the floating terminal, which

could store the gas in liquid form as well as regasify it and send it ashore via a pipeline.

Mr Moscato said the vessels would most likely be anchored close to existing pipelines for depleted gas fields, which could serve as longer term storage sites. The vessels could be moved to alternative locations as demand for natural gas develops.

Eni has estimated the capital cost for such a vessel at L707bn (\$419m), with annual operating costs of L27bn. A

number of engineering and shipbuilding companies have expressed interest in taking part in the project, according to Mr Moscato.

In recent years Italian environmental groups have campaigned successfully against the construction of two LNG reception terminals at Moncalvo di Castro and Montefalcone. Opposition to such facilities is also evident in other Mediterranean countries.

Speaking at the Offshore Mediterranean Conference in Ravenna, Mr Moscato said

LNG needed to be integrated into the existing, mainly pipeline-based gas export systems in the Mediterranean.

He also called for a greater level of interconnection between various pipelines and terminals in order for the regional gas market to grow to a size that reflected the large reserves available along the southern rim of the Mediterranean.

He said the main markets for the large gas reserves found off Egypt was most likely to be in the east,

among Israel, Jordan, Lebanon and Turkey. But Eni and the Egyptian government are also considering a link to Libya, from which the Italian company is already planning to build a big export pipeline to Italy.

US attempts to restrict international investments in Libya's oil and gas sector came under attack from a number of speakers at the conference. Mr Moscato said Libya needed to be fully integrated into the Mediterranean Partnership linking the countries in the region.

Start up of Alumbra 'still on time'

By Kenneth Gooding in Alumbra, Argentina

Alumbra, the copper and gold mining project in Argentina which is the world's biggest, is still expected to start up on time despite freak weather conditions that have delayed some key parts of the project.

The Catamarca province, in the north-west of the country, where the US\$1bn project is located in the foothills of the Andes, has suffered its second heaviest rainfall since records began 113 years ago.

But Mr Peter Freund, president of Minera Alumbra, insists that although the deluge has made construction very difficult, the processing plant will start up in August and first shipments will take place in October, at the latest.

This is good news for the joint venture partners, particularly MIM, the Australian group that owns 60 per cent. North, another Australian company, and Rio Algom, of Canada, each have 25 per cent.

Alumbra will not only produce 190,000 tonnes of copper but will also be the biggest gold producer in South America with an output of 730,000 troy ounces a year. As well as being among the lowest-cost copper producers, it will also generate between \$60m and \$80m in annual revenue.

Contracts worth at least \$4bn have already been signed for 100 per cent of output with smelters and traders across the world. Contracts last between three and eight years.

A few copper and gold mines that have been expanded over the years are bigger than Alumbra but this is the biggest project of its kind from the outset. Alumbra

takes in five substantial and separate construction projects. Apart from the mine and associated equipment, there is a \$40m processing plant and rail loading facility near Tucuman; a port facility near Rosario, on the river Parana; a 180 km, \$42m powerline; and a \$40km, \$30m pipeline to carry slurry from the mine to the processing plant.

Mr Freund said that 83 per cent of the construction work is completed but the rain badly affected work on the pipeline. There is still 25 km to be completed in the most difficult area, about 180 km from the mine.

Alumbra will earn back its capital cost in four to five years, said Mr Freund. The project is also the first to test Argentina's new mining laws, particularly incentives that promise early repayment of value-added tax on imported equipment used by companies that will export all their production.

Mr Freund said Alumbra was owed about \$120m and has had nine accountants working full-time to fill out the right forms in the right way.

The company received \$8m this week and is promised a further \$30m in a few days' time.

Meanwhile, complexities of Argentina's legal system have caused a slip in the timing of a \$500m project loan for Alumbra, due to be completed at the end of February.

The mine will provide about 650 direct jobs in one of the least developed Argentine provinces. The Catamarca province's tax income will double. At present, the mine has an expected life of 20 years, during which time it is scheduled to produce 3.3m tonnes of copper and 12m ounces of gold.

Opec warns on oil prices

MARKETS REPORT

By Robert Corzine in Ravenna and Suzanne Voyle and Philip Coggan in London

Mr Rikman Lukman, Opec secretary-general, yesterday said the current uncertainty over oil prices was "worrying" members of the exporters' group.

Mr Lukman was speaking as oil prices in London consolidated gains made on Tuesday, buoyed by bullish US stock data.

Mr Lukman acknowledged that members of the Organisation of Petroleum Exporting Countries "had a good run last year" when oil prices reached six-year highs. But he said there was "just a little too much oil in the market" at the moment.

Mr Lukman said a decision to delay a recently scheduled meeting of the Opec monitoring committee that is charged with overseeing the group's output did not reflect any dissent within the organisation over how to deal with over-production by some member states.

He said the delay was caused by scheduling problems among the ministers on the committee. They would

meet in April or May, before the group's next meeting in Vienna in June.

In contrast with recent bullish statements from some Opec members, Libya's Opec governor yesterday said the group's policy continued to be based on the establishment of "stable and reasonable prices".

Oil prices on London's International Petroleum Exchange yesterday bucked a trend towards weaker prices on the New York Mercantile Exchange. Brent Blend for May delivery - the international benchmark for crude oil - was trading at \$20.45 a barrel yesterday evening.

Earlier in the day it had reached a high of \$20.47 and dipped to a low of \$20.21. The price closed on Tuesday at \$20.25, up 75 cents.

Traders said business was choppy. "We are just holding on to yesterday's gains and technically we're still looking good," said one.

The price of copper on the London Metal Exchange lost ground on sales by commodity funds. But the metal was supported around \$3,900 per tonne with trade buyers moving in, allowing the price to pick up to \$2,335, for a loss of \$8 on the day.



Michael de Guzman (right), who is believed dead after falling from a helicopter, with Bre-X vice chairman John Felderhof

Busang geologist 'falls to death'

By Susanna Voyle

One of the geologists who helped identify the Busang gold deposit in Indonesia is believed to have fallen to his death from a helicopter, his employer said yesterday.

Shares in Bre-X Minerals, the small Canadian exploration company which discovered Busang, were suspended after the announcement. Later they fell 60 cents to C\$17.05 on the news.

Mr Michael de Guzman,

originally from the Philippines, was the chief geologist of the Busang project. He was on his way to the Busang property when the accident happened.

Indonesian police and search and rescue officials confirmed that Mr de Guzman plunged to his death after the right-hand door of the French-made Alouette helicopter apparently opened after lift-off from the coastal city of Samarinda, 1,260km north-east of Jakarta. Mr Ed Turson, the pilot of the

Indonesia Air Transport helicopter, told police he had searched for about 20 minutes, but failed to find Mr de Guzman's body.

Police said they were still searching the area around Tenggarong, a small town 30km north-east of Samarinda. The Busang site is 225km to the north-west.

Mr de Guzman worked with Mr John Felderhof, a fellow geologist and the vice-chairman of Bre-X. Mr Felderhof originally identified the site - which may contain

as much as 100m ounces of gold - but it was Mr de Guzman who confirmed the find and the nature of the geological factors - and who had worked most closely with the developers of the mine.

Calgary-based Bre-X has a 45 per cent stake in Busang. It had 90 per cent until an agreement in February, under which various Indonesian partners will acquire a 40 per cent stake, and Freeport McMoran Copper and Gold, the New Orleans mining group, 15 per cent.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from International Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Close	1000-15	1600-15
Previous	1812-13	1647-48	1647-48
High/Low	1812-13	1647-48	1647-48
AM Official	1808-09	1643-44	1647-48
Karb close	1812-13	1647-48	1647-48
Open Int.	287,844		
Total daily turnover	71,725		

■ ALUMINIUM ALLOY (\$ per tonne)

	Close	1000-15	1500-15
Previous	1505-15 <td>1535-36</td> <td>1535-36</td>	1535-36	1535-36
High/Low	1505-15 <td>1535-36</td> <td>1535-36</td>	1535-36	1535-36
AM Official	1505-15 <td>1535-36</td> <td>1535-36</td>	1535-36	1535-36
Karb close	1505-15 <td>1535-36</td> <td>1535-36</td>	1535-36	1535-36
Open Int.	6,084		
Total daily turnover	1,035		

■ LEAD (\$ per tonne)

	Close	1000-15	1500-15
Previous	701-02	695-97	695-97
High/Low	701-02	695-97	695-97
AM Official	697-98	691-91	690-91
Karb close	697-98	691-91	690-91
Open Int.	37,708		
Total daily turnover	7,822		

■ NICKEL (\$ per tonne)

	Close	1000-15	1500-15
Previous	7820-30	7835-40	7835-40
High/Low	7820-30	7835-40	7835-40
AM Official	7820-30	7835-40	7835-40
Karb close	7820-30	7835-40	7835-40
Open Int.	48,554		
Total daily turnover	17,294		

■ TIN (\$ per tonne)

	Close	1000-15	1500-15
Previous	8010-30	8000-20	8000-20
High/Low	8010-30	8000-20	8000-20
AM Official	8010-30	8000-20	8000-20
Karb close	8010-30	8000-20	8000-20
Open Int.	15,673		
Total daily turnover	3,974		

■ ZINC, special high grade (\$ per tonne)

	Close	1000-15	1500-15
Previous	1267-68	1260-91	1260-91
High/Low	1267-68	1260-91	1260-91
AM Official	1267-68	1260-91	1260-91
Karb close	1267-68	1260-91	1260-91
Open Int.	86,089		
Total daily turnover	24,824		

■ COPPER, grade A (\$ per tonne)

	Close	1000-15	1500-15
Previous	2345-47	2312-14	2312-14
High/Low	2345-47	2312-14	2312-14
AM Official	2345-47	2312-14	2312-14
Karb close	2345-47	2312-14	2312-14
Open Int.	137,629		
Total daily turnover	33,571		

■ LME AM Official 6/5 rates: 1.5963

	Close	1000-15	1500-15
Previous	348.95-349.00	348.95-349.00	348.95-349.00
High/Low	348.95-349.00	348.95-349.00	348.95-349.00
AM Official	348.95-349.00	348.95-349.00	348.95-349.00
Karb close	348.95-349.00	348.95-349.00	348.95-349.00
Open Int.	137,629		
Total daily turnover	33,571		

■ HIGH GRADE COPPER (COMEX)

	Close	1000-15	1500-15
Previous	112.25	112.00	112.00
High/Low	112.25	112.00	112.00
AM Official	112.25	112.00	112.00
Karb close	112.25	112.00	112.00
Open Int.	137,629		
Total daily turnover	33,571		

PRECIOUS METALS

	Close	1000-15	1500-15
Previous	348.95-349.00	348.95-349.00	348.95-349.00
High/Low	348.95-349.00	348.95-349.00	348.95-349.00
AM Official	348.95-349.00	348.95-349.00	348.95-349.00
Karb close	348.95-349.00	348.95-349.00	348.95-349.00
Open Int.	137,629		
Total daily turnover	33,571		

■ LONDON GOLD MARKET

	Close	1000-15	1500-15
Previous	348.95-349.00	348.95-349.00	348.95-349.00
High/Low	348.95-349.00	348.95-349.00	348.95-349.00
AM Official	348.95-349.00	348.95-349.00	348.95-349.00
Karb close	348.95-349.00	348.95-349.00	348.95-349.00
Open Int.	137,629		
Total daily turnover	33,571		

■ LONDON GOLD MARKET

	Close	1000-15	1500-15
Previous	348.95-349.00	348.95-349.00	348.95-349.00
High/Low	348.95-349.00	348.95-349.00	348.95-349.00
AM Official	348.95-349.00	348.95-349.00	348.95-349.00
Karb close	348.95-349.00	348.95-349.00	348.95-349.00
Open Int.	137,629		
Total daily turnover	33,571		

■ LONDON GOLD MARKET

	Close	1000-15	1500-15
Previous	348.95-349.00	348.95-349.00	348.95-349.00
High/Low	348.95-349.00	348.95-349.00	348.95-349.00
AM Official	348.95-349.00	348.95-349.00	348.95-349.00
Karb close	348.95-349.00	348.95-349.00	348.95-349.00
Open Int.	137,629		
Total daily turnover	33,571		

■ LONDON GOLD MARKET

	Close	1000-15	1500-15
Previous	348.95-349.00	348.95-349.00	348.95-349.00
High/Low	348.95-349.00	348.95-349.00	348.95-349.00
AM Official	348.95-349.00	348.95-349.00	348.95-349.00
Karb close	348.95-349.00	348.95-349.00	348.95-349.00
Open Int.	137,629		
Total daily turnover	33,571		

■ LONDON GOLD MARKET

	Close	1000-15	1500-15
Previous	348.95-349.00	348.95-349.00	348.95-349.00
High/Low	348.95-349.00	348.95-349.00	348.95-349.00
AM Official	348.95-349.00	348.95-349.00	348.95-349.00
Karb close	348.95-349.00	348.95-349.00	348.95-349.00
Open Int.	137,629		
Total daily turnover	33,571		

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Open Int.	137,629		
Total daily turnover	33,571		

■ LONDON GOLD MARKET

INVESTMENT TRUSTS - CONT.

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Net asset values supplied by Morningstar Securities Ltd.

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Please call
+44 171 490 7676

	Model	Price
BG	60W	\$199
Continental Express	60W	\$219

HEALTH CARE			+ or -
	Notes	Price	
W-TA Health Plan	10-1	20	-22 1/2
W-TA Health Plan	10-1	20	22 1/2
W-TA Health Plan	10-1	20	22 1/2
W-TA Health Plan	10-1	20	22 1/2

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INSURANCE

Make	Price
1964 Ford	\$1,495
1964 Chevrolet	\$1,495
1964 Oldsmobile	\$1,495
1964 Buick	\$1,495
1964 Pontiac	\$1,495
1964 Chrysler	\$1,495
1964 Plymouth	\$1,495
1964 Dodge	\$1,495
1964 DeSoto	\$1,495
1964 Nash	\$1,495
1964 Hudson	\$1,495
1964 Packard	\$1,495
1964 Lincoln	\$1,495
1964 Mercury	\$1,495
1964 Cadillac	\$1,495
1964 Buick Wildcat	\$1,495
1964 Oldsmobile Delta 88	\$1,495
1964 Chevrolet Impala	\$1,495
1964 Ford Mustang	\$1,495
1964 Dodge Dart	\$1,495
1964 Chrysler Valiant	\$1,495
1964 Plymouth Fury	\$1,495
1964 Dodge Coronet	\$1,495
1964 DeSoto Firebird	\$1,495
1964 Nash Ambassador	\$1,495
1964 Hudson Hornet	\$1,495
1964 Packard Sedan	\$1,495
1964 Lincoln Continental	\$1,495
1964 Mercury Marquis	\$1,495
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1964 Hudson Hornet	\$1,495
1964 Packard Sedan	\$1,495
1964 Lincoln Continental	\$1,495
1964 Mercury Marquis	\$1,495
1964 Cadillac Fleetwood	\$1,495

BIG

HEALTH CARE

	Index	Ratio
Health care expenditures	100.0	100.0
Physician services	100.0	100.0
Hospital inpatient services	100.0	100.0
Outpatient services	100.0	100.0
Home health care	100.0	100.0
Nursing home care	100.0	100.0
Long-term care	100.0	100.0
Other health care services	100.0	100.0
Health care personnel	100.0	100.0
Physicians	100.0	100.0
Nurses	100.0	100.0
Other health care personnel	100.0	100.0
Health care equipment	100.0	100.0
Medical equipment	100.0	100.0
Medical supplies	100.0	100.0
Medical facilities	100.0	100.0
Medical research	100.0	100.0
Medical education	100.0	100.0
Medical administration	100.0	100.0
Medical insurance	100.0	100.0
Medical financing	100.0	100.0
Medical information	100.0	100.0
Medical technology	100.0	100.0
Medical innovation	100.0	100.0
Medical development	100.0	100.0
Medical production	100.0	100.0
Medical distribution	100.0	100.0
Medical consumption	100.0	100.0
Medical waste	100.0	100.0
Medical safety	100.0	100.0
Medical security	100.0	100.0
Medical quality	100.0	100.0
Medical access	100.0	100.0
Medical equity	100.0	100.0
Medical justice	100.0	100.0
Medical ethics	100.0	100.0
Medical law	100.0	100.0
Medical policy	100.0	100.0
Medical regulation	100.0	100.0
Medical governance	100.0	100.0
Medical leadership	100.0	100.0
Medical management	100.0	100.0
Medical organization	100.0	100.0
Medical structure	100.0	100.0
Medical culture	100.0	100.0
Medical values	100.0	100.0
Medical beliefs	100.0	100.0
Medical attitudes	100.0	100.0
Medical behaviors	100.0	100.0
Medical norms	100.0	100.0
Medical customs	100.0	100.0
Medical traditions	100.0	100.0
Medical heritage	100.0	100.0
Medical legacy	100.0	100.0
Medical future	100.0	100.0
Medical vision	100.0	100.0
Medical mission	100.0	100.0
Medical purpose	100.0	100.0
Medical goal	100.0	100.0
Medical objective	100.0	100.0
Medical outcome	100.0	100.0
Medical result	100.0	100.0
Medical impact	100.0	100.0
Medical effect	100.0	100.0
Medical influence	100.0	100.0
Medical power	100.0	100.0
Medical authority	100.0	100.0
Medical control	100.0	100.0
Medical dominance	100.0	100.0
Medical supremacy	100.0	100.0
Medical superiority	100.0	100.0
Medical excellence	100.0	100.0
Medical perfection	100.0	100.0
Medical mastery	100.0	100.0
Medical expertise	100.0	100.0
Medical skill	100.0	100.0
Medical knowledge	100.0	100.0
Medical wisdom	100.0	100.0
Medical insight	100.0	100.0
Medical understanding	100.0	100.0
Medical awareness	100.0	100.0
Medical perception	100.0	100.0
Medical cognition	100.0	100.0
Medical intellect	100.0	100.0
Medical reason	100.0	100.0
Medical logic	100.0	100.0
Medical analysis	100.0	100.0
Medical synthesis	100.0	100.0
Medical evaluation	100.0	100.0
Medical judgment	100.0	100.0
Medical decision	100.0	100.0
Medical action	100.0	100.0
Medical intervention	100.0	100.0
Medical treatment	100.0	100.0
Medical care	100.0	100.0
Medical service	100.0	100.0
Medical provision	100.0	100.0
Medical delivery	100.0	100.0
Medical access	100.0	100.0
Medical availability	100.0	100.0
Medical reach	100.0	100.0
Medical coverage	100.0	100.0
Medical inclusion	100.0	100.0
Medical participation	100.0	100.0
Medical involvement	100.0	100.0
Medical engagement	100.0	100.0
Medical commitment	100.0	100.0
Medical dedication	100.0	100.0
Medical devotion	100.0	100.0

HOUSEHOLD GOODS

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INSURANCE

Make	Price
1964 Ford	\$1,495
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1964 Oldsmobile	\$1,495
1964 Buick	\$1,495
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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

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UK and US rate rise fears haunt equities

MARKETS REPORT

By Steve Thompson,
UK Stock Market Editor

UK stocks put up a spirited performance for much of yesterday, fighting hard to resist the damaging impact of a series of much stronger than expected economic data which increased the chances of a rise in UK interest rates after the May 1 election.

And it was not just domestic news that jolted the market's confidence. Wall Street lost the 6,900 level on the Dow Jones Industrial Average on Tuesday evening, sliding almost 60 points. The US opened in reasonably

good heart yesterday, however, gaining around 20 points in early trading after the inflation report for February, but later fell sharply as dealers had second thoughts about the data.

Some 90 minutes after London finished, the Dow was down 55 points and "heading south" as one dealer put it.

But London eventually succumbed to selling pressure induced by the weakness of gilts and also to increasing fears that the US is facing a rise in interest rates after next Tuesday's meeting of the Federal Reserve's open market committee.

The FTSE 100 index finished a day of increasing volatility 24.6

lower at 4,332.2. The FTSE 250, bolstered by a series of excellent company news stories, closed only 8.6 down at 4,652.9, while the FTSE SmallCap lost 9.3 to 2,343.1.

The deputy head of market-making at one top London securities house said the market "felt horrible. We're worried about inflation, we're worried about global bonds, we're worried about interest rate rises."

He said London was "heading south, it's just a question of how far we go".

That view was echoed by other senior dealers with one noting there was no real reason for fund managers to rush into UK equities, especially with Easter looming

and also with the market likely to trade erratically on Friday. That day sees the FTSE 100 and 250 index futures expire, along with FTSE 100 index options, in what some market wags have dubbed "witching hour", as opposed to the more common phrase "triple witching hour". Wall Street also sees a variety of expiries on Friday.

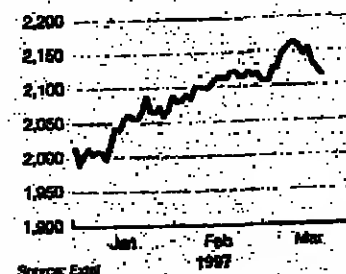
The damage to the gilt market came mostly from a worryingly strong rise in average earnings, which came in up 5 per cent over the year, well above estimates of around 4.25 per cent. A higher than expected rise in retail sales and a steeper than forecast fall in unemployment added to the pressure

on the gilts market. The latter were left with falls of not far short of a full point.

Turnover in equities was a healthy 902m shares at the 6pm count and was said to have been boosted by more programme trade activity, with at least one buy-side programme apparently stabilising the market in the morning.

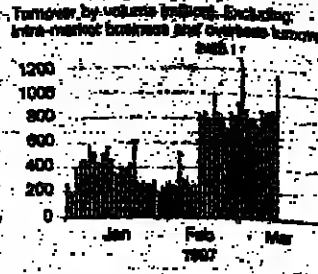
Turnover was also given a big lift by a fresh surge of activity in the telecoms arena, where BT attracted more buying interest in the wake of the highly successful presentations to institutions in the US, UK and Scotland, as well as the news of its probable alliance with Spain's Telefonica.

FTSE All-Share Index



Source: DataStream

Equity shares: turnover



Source: DataStream

Indices and ratios

FTSE 100	4332.2	-24.6
FTSE 250	4652.9	-8.6
FTSE 350	2143.1	-10.5
FTSE All-Share	2115.40	-10.15
FTSE All-Share yield	3.60	3.58

Best performing sectors

1 Telecommunications	-2.1
2 Oil Exploration & Prod	-1.0
3 Household Goods	-0.8
4 Retailers: General	-0.5
5 Retailers: Food	-0.5

Worst performing sectors

1 Gas Distribution	-2.4
2 Banks: Retail	-1.7
3 Tobacco	-1.7
4 Life Assurance	-1.4
5 Insurance	-1.3

Relief for retailer

By Peter John
and Jeffrey Brown

Leading retailers breathed a collective sigh of relief as Kingfisher, the group whose empire spans the UK's biggest DIY chain, produced a polished set of results with no hidden woodwork.

Nervousness had preceded the figures in the light of the recent profits warning by MPI which announced a big slowdown in sales growth earlier in the month.

The shares were subsequently sent into a flat spin by reports of a price war in compact discs. Kingfisher also owns Woolworths, the high-street chain which has been cutting prices.

But, yesterday, the UK retailer posted a 25 per cent rise in full-year profits to £38.7m against forecasts of between £37.6m and £38.1m. Upgrades were being pencilled in and one analyst cited the low gearing as evidence that acquisitions were back on the agenda. Littlewoods, Wickes and B&Q of France have all been seen as targets in the past.

Retailers were also assisted by retail sales figures for February which were up 0.5 per cent against anecdotal reports of much poorer trading.

Kingfisher rose 22% to 697p, although dealers pointed out they had fallen

30 over the previous three trading days.

Among the bigger high-street retailers, Boots lifted 10% to 686p and Dixons 11% to 508p. But the MPI share price fell 14% to 562p, as well as DRS, the furniture chain, which eased 2% to 598p. MPI was off a penny at 144p.

BT broke through to a three-year high as the telecom giant's global roadshow to promote the \$20bn MCI acquisition moved up a gear and talk of a breakthrough into the fast-growing Latin American markets ran round the market.

The story was that the link with Telefonos de Spain would lead to a broader Latin American base for BT. This was said to have prompted UK institutions to evaluate their underweight position on the stock.

The shares headed both the Footsie performance and activity charts to close up 19% at 461p in turnover of 35m. The stock has put on almost 6 per cent in two straight sessions and traded 80m shares during the same period.

Cable & Wireless moved ahead after France Telecom confirmed that the French group and Deutsche Telekom were in wide-ranging talks with C&W. The shares shot up to 513p at one stage before easing back to 509p, up 3.

Transport leader Stagecoach took flight after a number of chartists signalled heavy potential selling pressure. The shares slammed down through 700p

and there was talk yesterday that some analysts saw little resistance above 650p.

The stock, which topped out at 807p in January after a meteoric rise from 400p in less than six months, closed off 34% at 650p in some of the heaviest volume seen this year. Regulatory worries and talk of a Labour government unwinding rail franchises looked to be driving the upset.

At the same time, Stagecoach has plainly run out of Opra over South West Trains, seen by analysts as potentially the most profitable UK rail franchise. Whispers that the regulator may force a disposal are proving very persistent.

P&O eased 4% to 658p ahead of today's results from Nedlloyd, the Dutch group which partners P&O in its big container venture. A certain amount of nervousness

showed through ahead of the Dutch statement. P&O reports its 1996 results next week.

Enterprise Oil lifted 16p at 683 as a resurgence of buying interest caught the market short of stock.

BP slid 4% to 705p and Shell Transport dipped 2% to 610.7p. Oil stocks have been helped this week by the dollar's rise against the pound, which increases the value of the profits companies make in a dollar-denominated business. There has also been talk that crude oil prices are bottoming out.

Cairn Energy jumped 5% to 634p after the company posted a sharp rise in profits and said it was in talks with Shell on a Bangladesh joint venture.

Composite Insurance stocks, the most highly geared plays to market moves, fell back sharply as

inflation fear began to take hold.

Commercial Union fell 13% to 678p and General Accident 16% to 806p.

Barclays fell 21% to 210.75p as estimates for the year from 254m to 255m. The shares gained 3% to 243p.

Office machinery group Danka Business, the worst performer in the FTSE 250, slid 6% to 517p.

United News & Media gained 7% to 760p as BZW repeated its recent upgrade on the stock. BZW raised the stock to "buy" from "hold" and increased its profit estimate to £38.2m for 1997 and £37.7m for the year after. The move came after the group last week posted a 12 per cent rise in profit.

Information technology group Parity slipped 6% to 533p as the market reacted to the placing of 2m shares by the original backers.

Director Mr Philip Swinestead and HSBC had both acquired shares at 60p each during years ago. The shares were placed with a variety of institutions at 57p.

Williams Holdings gained 5% to 334p to come full circle in the face of keen City distrust of its £1.3bn takeover of Chubb.

The conglomerate has been talking to institutions recently, telling a reassuring story. And, although some analysts feel the Chubb deal is a shade expensive, sentiment on the stock has improved visibly. Under £3 at one stage, the shares are back to pre-bid levels.

Charter continued to gain ground as investors warmed to the news that the company had earmarked £500m for a takeover this year. The stock put on 10% to 807p for a two-day advance of 4 per cent.

Vickers and Weir were dramatically opposed among engineering stocks, with the former running into downgrades after dull results and Weir surging 12 per cent to turn in the strongest FTSE 250 performance.

SGST cut its 1997 forecast for Vickers to 86m from

£96.5m and moved from "hold" to "sell" on the shares which closed off 22 at 239p. At Weir, SGST analyst Mr Andrew Chambers maintained his "buy" stance and pushed up estimates for the year from 254m to 255m. The shares gained 3% to 243p.

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FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LFFS) £25 per full index point (A/F)

Open	Settle	Change	High	Low	Est. vol	Open	Settle	Change
Mar	4330.0	4331.0	-30.0	4377.0	4315.0	22472	29421	
Jun	4380.0	4382.0	-30.5	4400.0	4354.5	10283	44532	
Sep	4405.0	4407.5	-28.5	4425.0	4381.5	80	2469	

FTSE 250 INDEX FUTURES (LFFS) £10 per full index point

Open	Settle	Change	High	Low	Est. vol	Open	Settle	Change
Mar	4670.0	4670.0	+10.0	4672.0	4670.0	737	2623	
Jun	4690.0	4690.0	+12.0	4692.0	4690.0	737	3888	

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Jun	4380.0	4382.0	-30.5	4400.0	4354.5	10283	44532	

FTSE 250 INDEX OPTION (LFFS) £10 per full index point

Open	Settle	Change	High	Low	Est. vol	Open	Settle	Change
Mar	4670.0	4670.0	+10.0	4672.0	4670.0	737	2623	
Jun	4690.0	4690.0	+12.0	4692.0	4690.0	737	3888	

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FTSE 100 INDEX OPTION (LFFS) £10 per full index point

930 2182.78	5.86	2.33	8.97	0.00	1441.70	Safeway	2,600	345.0	+1
						Sainsbury	4,500	820.0	+1
93.14 1953.72	3.63	1.95	18.47	14.77	1707.78	Schroders	102	1667.0	-71
5.84 2816.08	3.71	2.40	14.06	62.36	1718.21	Scottish & New.t	2,300	680	-94
						Soc. Hydro-Elect.	1,100	384	

NYSE PRICES

4 am close March 19

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AMEX PRICES

1 pm class March 10

Stock	FY '86				Stock	FY '86				Stock	FY '86									
	Dic.	High	Low	Close		Dic.	High	Low	Close		Dic.	High	Low	Close						
Amalgamated	1	100			CrownA/T	0.61	29	407	114	114	114	+	Nastrco	0.6	19,334	429	416	416	-	
Amalgamated	1	100			Crown C A				69	115	114	114	+	Nastrco		15	9	9	9	-
Amalgamated	1	100			Crown C B				59	115	114	114	+	Nastrco	0.10	30	24	24	24	-
Amalgamated	1	100			Crown C C				59	115	114	114	+	Nastrco		118	176	176	176	+
Amalgamated	1	100			Crown C D				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C E				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C F				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C G				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C H				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C I				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C J				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C K				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C L				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C M				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C N				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C O				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C P				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C Q				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C R				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C S				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C T				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C U				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C V				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C W				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C X				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C Y				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown C Z				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D A				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D B				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D C				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D D				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D E				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D F				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D G				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D H				59	115	114	114	+	Nastrco		18	161	161	161	+
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Amalgamated	1	100			Crown D K				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D L				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D M				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D N				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D O				59	115	114	114	+	Nastrco		18	161	161	161	+
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Amalgamated	1	100			Crown D R				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D S				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D T				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D U				59	115	114	114	+	Nastrco		18	161	161	161	+
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Amalgamated	1	100			Crown D X				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D Y				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown D Z				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown E A				59	115	114	114	+	Nastrco		18	161	161	161	+
Amalgamated	1	100			Crown E B				59	115	114	114	+	Nastrco		18	161	161	161	+
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NASDAQ NATIONAL MARKET

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EASDAQ

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Company	Mkt price	Change	Volume	High	Low	Company	Mkt price	Change	Volume	High	Low
	on day										
AvayaG8	US\$2.25		8	8.25	8	Telepacific	US\$212.90	+0.25	21210	12.825	11.5
Atrent Systems	US\$10.85		17030	11.35	10.25	Wentel Internet	US\$1.95		12	11.75	8.875
AvayaG8	US\$2.25	-1.75	229	12	12.85	Pullnet	US\$4.75	-0.25	24650	6.25	4.75
Baycom Systems	US\$12.25		8	12.5	12						

Prices for 19/09/97.

Information about EASDAQ can be found on the Web site at: <http://www.EASDAQ.be>
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